

# CONTRACT WITH AMERICA—WELFARE REFORM

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON HUMAN RESOURCES  
OF THE  
COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTH CONGRESS  
FIRST SESSION

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JANUARY 13, 20, 23, 27, 30; AND FEBRUARY 2, 1995

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# **WELFARE REFORM**

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**FRIDAY, JANUARY 13, 1995**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON HUMAN RESOURCES,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 10 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

[The advisories announcing the hearings follow:]

# **ADVISORY**

## **FROM THE COMMITTEE ON WAYS AND MEANS**

### **SUBCOMMITTEE ON HUMAN RESOURCES**

FOR IMMEDIATE RELEASE  
December 30, 1994  
No. 1

PRESS CONTACT: Ari Fleischer or Amy Tucci  
(202) 225-8933  
ALL OTHERS CONTACT: (202) 225-1721

### **SHAW ANNOUNCES CONTRACT WITH AMERICA HEARINGS ON WELFARE REFORM**

Congressman E. Clay Shaw, Jr., (R-FL), Chairman Designate of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will conduct a series of hearings on the Personal Responsibility Act that is part of the Contract with America, the series of 10 bills offered by the Republicans as a national legislative agenda. The hearings will be held on January 13, 20, 23, 27, and 30, 1995. The first four hearings will feature invited witnesses; the last hearing will include Members of Congress and public witnesses. **The January 13 hearing will be held in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m. Room locations and times for the four other hearings will be announced in a subsequent press release.**

#### **BACKGROUND:**

The American public, recipients of public aid, scholars, and Members of Congress all agree that the American welfare system is broken. One of the system's biggest flaws is that people who receive welfare tend to stay on the rolls for many years. In the Aid to Families with Dependent Children program, for example, more than 60 percent of those on the rolls at a given moment will eventually claim benefits for nine years or more. A second flaw in the welfare system is its growing cost and the expanding number of overlapping programs. A third flaw is that the nation suffers from rising illegitimacy rates that many scholars believe are linked to guaranteed welfare benefits. There is considerable evidence that illegitimate children are more likely to drop out of school, be unemployed, and join the welfare rolls themselves as young adults. Finally, the welfare system does little to encourage work.

To examine these problems, the Subcommittee has organized four topical hearings and one general hearing in which members of the Subcommittee will hear from their Congressional colleagues and the general public. The topical hearings are:

Costs of Welfare, Role of Entitlements, and Block Grants (Friday, January 13). Witnesses will examine the growth of spending on means-tested programs and the role of entitlements in this growth. The Subcommittee will also take testimony about the use of block grants as a strategy for controlling Federal spending and for returning authority and flexibility in designing programs for the poor to State governments.

Illegitimacy and Welfare (Friday, January 20). Witnesses from the Congressional Research Service and the Congressional Budget Office will summarize historical changes in rates of illegitimacy and the role illegitimacy has played in recent years in the growth of the welfare rolls. The Subcommittee will also hear testimony about the relationship, if any, between welfare benefits and rates of illegitimacy, and about the relationship between illegitimacy and social problems such as poverty, welfare use, school dropout, crime, and drug use.

Welfare Dependency and Welfare-to-Work Programs (Monday, January 23). After examining evidence regarding the length of stays on welfare, the Subcommittee will hear from researchers and program administrators about the effectiveness of programs that provide education, training, job search, and work experience in helping families leave welfare.

Changing Eligibility for Supplemental Security Income (Friday, January 27). The Personal Responsibility Act or previous bills introduced by members of the Ways and Means Committee calls for reduced benefits for aliens, drug addicts, and children on the Supplemental Security Income Program. This hearing will be devoted to testimony from several panels of witnesses on reducing or eliminating SSI benefits for these groups of recipients.

The Subcommittee will hear from the interested public and Members of Congress on Monday, January 30.

#### **DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:**

Requests to be heard must be made by telephone to Diane Kirkland or Traci Altman (202) 225-1721 no later than the close of business, Friday, January 6, 1995. The telephone request should be followed by a formal written request to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Subcommittee on Human Resources will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the staff at (202) 225-1025.

**In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard.** Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record.**

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies of their prepared statements for review by Members prior to the hearing. **Testimony should arrive at the Subcommittee on Human Resources office, room B-317 Rayburn House Office Building, no later than 24 hours before hearings.**

#### **WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:**

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement by the close of business, Friday, February 3, 1995, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Human Resources office, room B-317 Rayburn House Office Building, before the hearing begins.

#### **FORMATTING REQUIREMENTS:**

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

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# **ADVISORY**

## **FROM THE COMMITTEE ON WAYS AND MEANS**

### **SUBCOMMITTEE ON HUMAN RESOURCES**

FOR IMMEDIATE RELEASE  
January 13, 1995  
No. HR-1

CONTACT: (202) 225-1721

#### **SHAW ANNOUNCES TIME AND ROOM LOCATIONS FOR THE CONTRACT WITH AMERICA HEARINGS ON WELFARE REFORM**

Congressman E. Clay Shaw, Jr., (R-FL), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the series of Subcommittee hearings on the Personal Responsibility Act that is part of the *Contract With America* will begin at 10:00 a.m. on Friday, January 20, and Friday, January 27, and will begin at 12:00 noon on Monday, January 23, and Monday, January 30. All four hearings will be held in the main Committee hearing room, 1100 Longworth House Office Building.

All other details for the hearings remain the same. (See Subcommittee press release No. 1.)

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# **ADVISORY**

## **FROM THE COMMITTEE ON WAYS AND MEANS**

### **SUBCOMMITTEE ON HUMAN RESOURCES**

FOR IMMEDIATE RELEASE  
January 24, 1995  
No. HR-2

CONTACT: (202) 225-1721

### **SHAW ANNOUNCES TIME CHANGE AND ADDITIONAL DAY OF HEARINGS ON *CONTRACT WITH AMERICA* WELFARE REFORM PROPOSAL**

Congressman E. Clay Shaw, Jr. (R-FL), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee hearing scheduled for Friday, January 27, 1995, **will begin instead at 9:00 a.m. in the main Committee hearing room, 1100 Longworth House Office Building.** The hearing had been scheduled to begin at 10:00 a.m. The subject of the hearing is changing eligibility for Supplemental Security Income.

In addition, Shaw said that in an effort to accommodate the large number of public witnesses who have requested the opportunity to appear before the Subcommittee, **a second hearing for public witnesses will be held on Thursday, February 2, 1995. The hearing will begin at 9:00 a.m. in B-318 of the Rayburn House Office Building.** The first hearing for public witnesses is scheduled for Monday, January 30, 1995, beginning at 12:00 noon in 1100 Longworth House Office Building. Only members of the public who, in accordance with prior press releases, have requested to be heard and have been contacted by the Committee, will be scheduled to testify on February 2. Other interested members of the public are invited to submit written statements for the record of these proceedings.

All other details for the hearings remain the same. (See Subcommittee Advisory No. 1 and HR-1.)

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Chairman SHAW. I will call this first hearing to order.

We on the Human Resources Subcommittee have a historic opportunity. I would like to ask at this time unanimous consent that my written statement be put into the record so that I might summarize. We, as Republicans and Democrats, have an opportunity to work together not only with the administration but also with the Governors of this country to change the world as we know it, today, here in the United States, to take a program which has grown and grown many times to the detriment of the people that it is trying to help, without any proper attention being given to it.

I think in looking for new ideas and reaching out for new ideas as to what is wrong with welfare, and how we can change it, we have to look no further than the States and what they are doing. We have a welfare system here in the United States that has paid people not to work, has paid people not to get married, has paid people to stay where they are in a life of poverty and not to succeed. By changing this system we have an opportunity to give these people a new lease on life, and to help them take control of their future and enjoy a new freedom that many of them have not enjoyed because they have been enslaved with the chains of welfare in this country.

We are going to be reaching out for even more new ideas in the next few weeks as we go through the hearing process. We are on the fast track. The American people are behind us. I think from listening to Democrats and Republicans that we all want to accomplish the same thing even though we may have substantially different ideas as to how to go about it and as to some of the details. I find a consensus of what brings us together and that is the realization that the welfare program we have is the cruelest program of all because it pays people not to succeed. Thinking back to some of the Full Committee hearings that we have had, I was struck by a comment that one of our witnesses made yesterday, and that was that people will rise to the expectations you have of them. If you don't expect anything of them, that they will not disappoint you because that is exactly what is going to happen—nothing.

But if you raise your expectations and believe that these people can accomplish something, they also will not disappoint you because they will have within themselves self-esteem and they will work to levels that they did not think possible. I look forward to this hearing.

We have as our first panel of witnesses, two of the outstanding Governors in this country, one a Democrat and one a Republican. Our former colleague from Delaware, Governor Carper, who has a distinguished record here in the House as well as in the State of Delaware is trying to make a difference and trying to stop the welfare spiral.

Governor Engler of Michigan has done an outstanding job as one of the leading Governors in this country in stopping the cycle of welfare and the spiraling effect it has on this country. I look forward to this hearing and I think it is proper that we start with these gentlemen as our first two witnesses.

[The prepared statement follows:]

Opening Prepared Statement  
 Chairman Clay Shaw  
 Subcommittee on Human Resources  
 January 13, 1995

Today we begin our first hearing on the important issue of overhauling America's welfare system. The American people know our current system is broken. They want it fixed. We are here to fix it.

Republicans intend to revolutionize the system from top to bottom. In doing so, we will pursue two broad goals: We will protect the needy. We will also protect the taxpayer.

Make no mistake about it - nothing could be crueller than the welfare status quo. It is cruel to the needy. It is cruel to the poor. It is cruel to children.

Welfare in America today does not give people a sense of personal responsibility. Welfare in America today does not give people economic incentives to get a job and keep a job. Welfare in American today does not create moral values that unite families as they move up the ladder of opportunity.

Welfare today has left a sad mark on the American success story. Too many welfare recipients live in a world where children have no dreams for the future and parents have given up their hopes for today. It is a world without fathers. It is a world without freedom and safety. It is a world without dignity.

It is also a world where leaders have failed to make the tough decisions that must be made if we are to help the beneficiaries and the taxpayers.

Is it any wonder that taxpayers are asking if all the money they have spent on welfare has done any good?

To change this failed system of socialized compassion, we plan to take eight actions:

- One - we will require work of able-bodied adults receiving welfare
- Two - we will send major responsibility for the design and implementation of programs to the state and local level
- Three - we will limit the length of time able-bodied adults can receive cash benefits
- Four - we will end many of the overlapping means-tested programs
- Five - we will limit entitlements
- Six - we will limit welfare payments to minor unwed mothers
- Seven - we will end welfare for most noncitizens
- Eight - we will reduce welfare spending

When we have completed our task, life will be better for the recipients of these programs. Life will also be better for the American taxpayer. We made a contract with the American people last fall to do this. We intend to honor that contract.

In today's hearing, we will address the closely related topics of federal spending on means-tested programs and the role of entitlements in the growth of spending on means-tested programs. In addition, we want to take testimony on the advantages and disadvantages of block grants as a means of reducing complexity, saving money, and returning the initiative on welfare programs to the states and localities.

To help us pursue these issues, we are fortunate to have with us two panels of distinguished witnesses and an equally distinguished witness from the Clinton Administration. We will begin with Governor John Engler of Michigan. In his four years as governor, he has established Michigan as one of the nation's most innovative states. His reforms of the Michigan welfare system have produced several notable results, the most important being that Michigan has the highest percentage of AFDC mothers working of any state in the country. He is joined on the panel by Governor Tom Carper of Delaware. Governor Carper is well known to members of this Committee for his role as one of the leaders of welfare reform in the House back in 1987 and 1988. Many of us remember his courageous attempts to forge a bipartisan bill in the midst of highly partisan debate.

Before turning to our witnesses, I yield to the distinguished ranking minority member, Mr. Ford, for a statement.



Chairman SHAW. I yield to the Ranking Minority Leader, Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

I, too, as Ranking Minority Member of this Committee would like to join you and the Republicans in hopefully some type of bipartisan spirit to fashion a welfare bill that will respond to those human needs of people in this country. We know that there are those who are trapped into this vicious cycle of poverty and welfare, we know that the system out there is not working and responding to many of the human needs of our children and those women who are trapped at this dead end of the welfare cycle itself.

I would like to say as we go through the witnesses, and I welcome the two Governors today, but as we go through this welfare process, that the Democrats are going to make it clear that we are, in fact, skeptical about the block grants. We won't let poor kids suffer in this welfare package or the welfare reform bill we will report from this Committee. We need to make sure we strengthen the child support provisions, to make sure that women and children are not the targets, that we also place that responsibility on the father, as well.

Democrats will support responsible work requirements before this Subcommittee to be reported in the welfare reform package. It is clear that we must assure the welfare of our children and let it be a national responsibility to respond to many of those human needs and we meet those human needs in the welfare population. We know that the welfare population is over 14 million people in this country and we know that they are in need of changes in the system itself.

So we as Democrats want to work with you, want to join with our colleagues on the majority side of this Subcommittee, but more so we want to join with the welfare population in trying to suggest and bring about work requirements that will put welfare mothers to work and to make sure that the fathers do their responsibility and ease the burden on the Federal Government in paying for cash assistance and other types of welfare programs in this country.

We look forward to working with you on this Committee and are ready for the debate and the dialog to start now, Mr. Chairman.

[The opening statement of Mr. English follows:]

## FOR THE RECORD

The Honorable Phil English  
January 13, 1995  
Before the House Ways and Means Committee  
Subcommittee on Human Resources  
Hearing on Welfare Reform

Mr. Chairman and Members of the Subcommittee, this is a historic and very important day. As we begin hearing testimony today on welfare reform provisions including the growth of means tested programs and spending welfare entitlements, and block grants, we are taking our first step toward changing a system that the overwhelming majority of Americans are dissatisfied with and want to see changed.

I firmly believe that by embracing goals that include a frontal attack on illegitimacy, a clear work requirement, time limits, and controls on overall welfare spending, we will be immediately addressing the most serious problems with our current system. I feel I can speak for my Congressional District in saying that the existing problems are of the magnitude that we simply cannot wait to begin making the changes that will move substantial numbers of adults from welfare rolls to work rolls - not to mention saving \$40 billion over the first five years of enactment.

We have a responsibility to shape reform legislation that links welfare rights to responsible individual behavior and offers viable prescriptions for reducing welfare dependency. Our reforms must seek to preserve the family structures of those in the underclass seeking to escape poverty.

We have a host of witnesses who will present emotional and very serious testimony. I am grateful for their attendance and encourage my colleagues to not lose sight of our states and our citizens and how our decisions will affect individuals.

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Chairman SHAW. We are certainly starting out on the right foot. Let's see if we can let this continue.

The first witness today is Governor John Engler, a leader in welfare reform in his own right.

**STATEMENT OF HON. JOHN ENGLER, GOVERNOR, STATE OF MICHIGAN**

Governor ENGLER. Thank you, Mr. Chairman.

Let me begin by pointing to this stack of documents in front of me that represent the rules and regulations from just three Federal welfare programs, AFDC, food stamps and Medicaid, then as supplemented by the fiscal year 1994 and 1995 changes to the rules. These are Washington's rules. This is what a frontline worker in the State of Michigan or the State of Delaware or across the Nation have to master in order to help people that are in need.

I believe that these cumbersome rules represent a barrier that restricts States from reforming welfare, a barrier that locks families in poverty, a barrier with your help that we must tear down. While I come to this hearing on welfare reform to debate welfare reform, I respectfully suggest that the answers to our problems will not be found here.

James Q. Wilson, UCLA professor, recently said that we ought to turn the task and the money for rebuilding lives, welfare payments, housing subsidies, the whole lot, over to our cities and States and the private agencies to be found there.

To accomplish this goal, I propose the following guidelines:

First, get Washington out of the way. Conservative micromanagement is just as bad as liberal micromanagement. States must have the freedom with no strings attached to implement change. What works in Denver might not work in Detroit. Every city and State is different. That is why the States need the flexibility to be different, to be creative in our strategy to reform welfare and restore hope.

As you know, AFDC was set up to help widows and their children during the Great Depression. American families, our economy, our way of life, have dramatically changed since then and the program has not, except to become more complicated and cumbersome. The problems we confront are not "one size fits all."

So a Federal "one size fits all" approach can not, has not, and will not work. Washington has had 60 years to tackle the welfare problem. It is time to give the States a chance. Certainly we can do better than the current Federal system that is represented by those rules and regulations. It is a dizzying array of failed social experiments that break up families, discourage marriage and don't encourage or reward work.

Let me give you an example. In Michigan there is an AFDC client who lives in public housing, section 8 housing. This person refused to be part of our mandatory work program so we sanctioned the client by cutting her AFDC grant. Therefore, we cut her income. The result—did she go to work? Not by a long shot.

Since her income went down, her housing rent was lowered and her food stamp allowance went up. Bottom line, the sanctions for not working became a financial plus and she was better off staying at home and saying no to work.

Another quick example. Because of Federal rules for about half the families that we send checks to on AFDC, the States have no effective way to enforce our work rules, require child immunizations or any number of other important actions to encourage responsibility and self-reliance. The irony is that these Federal rules which are intended to protect children then actually hurt them by condemning their families to a life on welfare.

The good news is that there is a way to solve this problem—block grants that allow the States the flexibility they need and have sought and demanded for so long.

Mr. Chairman, I am encouraged by your leadership and that of this Subcommittee and other leaders in Congress who are willing to consider replacing a myriad of some 336 Federal programs such as AFDC, child care, food stamps, and job training, with 8 block grants.

That pile of regulations that you saw represents only three programs. We can only imagine what it would look like if we had the paperwork from all 336 programs. I probably wouldn't be able to see this Subcommittee behind that pile of documents. I think that I speak for every Governor who has ever applied for a waiver when I say that change is needed and needed now.

Second, real reform cannot burden taxpayers with spending increases or additional entitlements. Reform must save money, reform can save money. Welfare reform can be a win-win for both the recipients and the taxpayers. In Michigan, our strategy to encourage work over welfare saves taxpayers more than \$100 million over the first 2 years.

I would repeat that number because that is a shared savings between State and Federal Government—\$100 million.

How much money can we save with nationwide reform? Plenty. In return for the flexibility of block grants, Governors have discussed a freeze in Federal spending over a 5-year period. The result, savings of tens of billions of dollars.

Some say that reforms that save money are unfair and punish the poor. I think what is unfair is a system that condemns too many Americans to lives on welfare.

Third, I think we should remember that Americans are the most generous people in the world. We seek to free the power and money that has been held captive in Washington, not to hoard it in cities and State capitals but to encourage innovation at the local level, in the neighborhoods, efforts that would include churches, synagogues and mosques and civic groups and families. It is obvious that government cannot be a parent and cannot replace the family, but government can become a partner. Working together as a community we can tap the ability of each individual to help and to be responsible.

Mr. Chairman and the Committee, I think ultimately this debate is about values and basic principles, about work, responsibility, freedom and independence. And make no mistake, most welfare clients want to work and want to contribute.

That leads me to the last point—the best welfare program is a private sector job. By limiting government, by cutting taxes and reducing the burden of regulation, we can create a climate of opportunity that will allow aid recipients to leave the welfare rolls for

private payrolls and at the same time a condition of receiving assistance must be a commitment to becoming a productive member of society.

Beginning in 1992 as a result of Federal waivers, AFDC recipients in Michigan were asked to sign a social contract that committed them to either working, training to work or volunteering for at least 20 hours a week. We also implemented incentives to make work pay. We eliminated disincentives to work, saving, to entrepreneurship. Results so far have been impressive. Three out of four welfare parents voluntarily participated in the social contract. More than 1 out of 4 are working, earning income, compared to less than 1 in 10 nationwide. As a result, since the beginning of the program some 50,000 cases and last year more than 25,000 cases have been closed due to income from employment and welfare case-loads are now at the lowest level since 1988.

We recently received additional waivers to make the social contract mandatory and even step up the emphasis on work as the first step toward independence. Grants will now be reduced or eliminated for those who fail to comply within the first year.

As I pointed out earlier, there are barriers in Federal law which limit our ability to make that as effective as we would like. There is no doubt that Michigan's reform plan could serve as a model for the Nation. However, I don't believe our approach ought to be forced on any States. Those decisions ought to be made at the State level, the local level, the family level.

Should there be standards of accountability? Absolutely. Rigid rules, inflexible regulations? Absolutely not. The bottom line is set the States free. The Speaker said that the States are prepared to take back the responsibility if they are given the freedom to be responsible. He is right and I know that Michigan is prepared, and I believe that America is ready as well.

Thank you for the opportunity to come here today to answer your questions. I look forward to them.

Thank you.

Chairman SHAW. Thank you. Our next speaker will be Tom Carper from the State of Delaware.

Tom, you must feel somewhat vindicated from your work in the Congress in seeing this process finally moving forward.

Governor CARPER. I feel a sense of déjà vu. I want to say thanks to you and to Members of the Subcommittee.

Chairman SHAW. Your full statement will be made part of the record.

#### **STATEMENT OF HON. THOMAS R. CARPER, GOVERNOR, STATE OF DELAWARE**

Governor CARPER. It is good to be with all of you and good to see you again. The debate that we have entered into has potential certainly for being contentious, potential for being divisive. It also ought to be a healthy debate. Judging from the first 15 or 20 minutes of it, I sense this will be a healthy debate that will help us get closer to the kind of changes we want and need to make with respect to welfare in this country.

I am not here to speak for the National Governors' Association. I don't know that they have a policy on block grants. I think to the

extent that we do, it is probably in opposition to block grants in food and nutrition. We will be here spending time toward the end of the month talking about our welfare policy and some Governors who haven't thought for 2 seconds about block granting any of these programs—some who are going to be Governors aren't even Governors yet. They are trying to figure out how to find their offices and not whether to block grant anything. So we will have a chance to have a debate and some discussion among ourselves, particularly when the new Governors come onboard.

I don't know enough personally about the legislation that I think the Republican majority side has been working on, the Personal Responsibility Act. I don't know enough about it to be able to critique it well. I have a couple of concerns about block grants that I would share with you later. I do have a lot of respect for some of the people that are working on your proposals and my gut tells me that we will be able in the end to work constructively together.

With respect to block grants, I sense that there are some things that can be block granted. We have 150 Federal training programs that we may or may not participate in as States. I don't think we need 150. The idea of block granting those can and does make a lot of sense.

Another possibility, arguably some programs could be block granted. Others I think arguably should not be. You may want to consider giving States the flexibility to say if a particular State wants to have a block grant approach as opposed to an individual entitlement approach, let a couple of States experiment with it, see if they really do realize the cost savings that Governor Engler has been talking about, and let them be the guinea pig for the rest of the country.

While I don't know a whole lot about the legislation that the majority of this Subcommittee is working on, I do know that the system that I think began in 1935 where we, with all good intention, began providing some assistance to widows, I think the first Social Security Act, that well-intended system has gone out of control and has led us to where we are today. In spite of efforts in 1988, it has led us to a place where our welfare system in spite of its good intentions really fosters dependency and it has to be changed. I hope that we can do that.

When you think about people who are on welfare you say why should they get off? Consider this: In the past until recently if you got off of welfare and took a job, what do you gain? You gain the right to pay taxes, personal, Federal and State income taxes. You gain the right to pay Social Security taxes. What did you lose? Your health care, child care, you may lose your food stamps. You have no one to take care of your kids and you may lose a place to live. So the logical decision for a lot of folks on welfare, frankly, has been to stay on welfare. What we tried to do in 1988 and what we need to do in 1995 is to change the system of incentives and disincentives.

I would like you to know what is going on in one little State up the road, Delaware, what we are trying to do. The Clinton administration, they have been good about giving waivers. Governor Engler talked about the waivers we need to get around the rules and regu-

lations that exist. This administration has been better I think than any administration in history in letting us experiment.

It sure takes a lot of time and I know it takes a lot of their time to read all our waiver requests and figure out what they are going to waive or not waive. We have to simplify that if nothing else. In Delaware, we are going to start at the beginning and try to turn off the spigot.

By that I mean begin diminishing the number of kids that are having children. Thirty percent of the kids born in our country last year and probably in Delaware as well, 30 percent were born to single parents, many to teenage parents, and that is not a sustainable situation. If it continues to worsen in the future, heaven help us in this country.

I don't think there is a silver bullet on turning around teen pregnancy, but I urge you as a Committee, just as I have urged the President, to take a leadership role in leading a national campaign against teenage pregnancy. I would urge you in your deliberations to also focus on how to turn off the spigot and begin reducing the incidence of teenage pregnancy. I don't think it is the root of all evil, but I think it is a close second to whatever is.

We shouldn't be surprised that a lot of kids are getting pregnant. If you take these ingredients, raging hormones and add a diminishment in morality and the notion that people bring shame upon themselves becoming pregnant out of wedlock, added to what kids see in movies or on television these days. I am told the kid who watches an average amount of television and sees an average number of movies in a year is exposed to 2,000 or 2,500 sexual episodes.

The signal that the kids are getting from the media is go for it; there are no consequences and there is not much of a different message in many families coming the other way. We have a lot of kids who come home at the end of the schoolday without supervision. Nobody is at home. We have a situation where a lot of young girls need and want somebody to love them and the idea of having a baby who will love and want and need them is desirable.

You have got a lot of guys who are looking for a conquest in order to build their self-esteem. They do it by gaining a sexual conquest and being able to brag about how many kids they have fathered. To make things worse is a welfare system which says if you have that child out of wedlock whether you are 13 or 33, we are going to provide a safety net for you and provide for your needs and the needs of your child to some degree, we should not be surprised that given that system where we are today as a country.

Delaware, on the issue of teenage pregnancy, a couple of ways we propose to eliminate that. We are establishing a nonprofit private sector alliance. The alliance will include not just government but a lot of private sector corporations, we hope, nonprofit organizations and the religious community in our State as well. We propose to begin a multimedia campaign probably on a lot of television shows and radio stations that you and I don't watch or listen to but to get a message to encourage kids to postpone the age they become sexually active and literally to help kids develop the message.

We will be holding a teen summit for teenagers from across the State to come and meet with their Governor and tell us what they think we should do. We will be asking them to develop 30-second

and 60-second videos where they will be able to put the names of their schools at the beginning of the videos to put out the message to encourage kids to wait, to remind them of the problems of poverty and disease and the need for parents to talk to their kids. We are going to kids who know best I think how to solve this problem to help us to deliver that message.

We will be making changes in our school curriculum, asking college-age kids to come in and work with high school-age kids, college-age kids who have made the decision not to become pregnant, to work with high schoolers to encourage them to make the same decision. We are going to have high schoolers who have made the decision not to become pregnant to work with junior high school children and to be role models and to teach skills to say no.

Other things that we are doing to address the issue of teen pregnancy, we are going to require in our waiver request that we are submitting to the Clinton administration at the end of this month, require kids to live at home not to be able to move out when they do become pregnant, require them as a condition to be eligible for AFDC to assist fully in determining paternity, and we are going to require them to stay in school, either a regular school or in an alternative degree program, in order to be eligible for benefits and to the extent they don't do that, the sanctions that we would impose are dramatic and eventually would wipe out entirely the AFDC grant that might be going to the parent, in this case to the grandparent, or the baby.

We are working on the prevention side to prevent teenage pregnancy. Among other things, parenting skills, providing a broad range of parenting skills for a lot of people who haven't a clue how to raise a child. We are making it possible for 4-year-olds in our State in poverty to participate in Head Start, school reform initiatives bringing hundreds, maybe thousands of mentors to the schools to be positive role models for kids who need them. We have a bunch of boys and girls clubs springing up around our State; PAL facilities, community facilities. The idea is to give kids something constructive to do. We can't just impose sanctions, but we have to provide positive alternatives, and we are trying to do that in our State.

Let me mention briefly the five principles that underlie our welfare reform initiative in Delaware. John spoke to one or two of these. One, people should be better off when they go to work, not worse off. Work should pay.

Two, there should be some limits on benefits. There shouldn't be a lifetime entitlement, but reasonable benefit time limits. We propose that the time limits will change as the person gets older, that the time limit diminishes with the person's age.

Three, we like the idea of a social contract of mutual responsibility. I am the welfare recipient, you are the State. For example, you, the State, offer to do certain things to help me, the welfare recipient. For example, you will help me with my education, to get my high school degree, help with job training, with job placement, maybe help me with some transportation to the job, some child care for my kids and make sure that we still have health care.

That is your part of the social contract to me, the recipient. My responsibilities would be to take advantage of the education, take



advantage of the job training, take the job that is presented to me, even a minimum wage job, make sure my kids are in school and once I have the job, to work, not to quit the job. If I do, I will face sanctions. In some cases, I will face the complete total lifetime cut-off of AFDC eligibility. Make sure my kids are in school. Make sure my kids are getting immunized. That is part of the social contract. We are being forceful with sanctions if I choose not to participate.

The fourth element is that both parents have a responsibility to support their children, both parents the custodial parent and the noncustodial parent in those cases where families are not living together.

Finally, all too often our policies in the past have encouraged the formation of one-parent families. When a gal gets pregnant, she marries the welfare office, not the guy who has fathered the child. We need to change the regulations so they encourage the maintenance and sustenance of two-parent families.

What do we need from the Federal Government as States? We need your help. We need a national campaign against teenage pregnancy. I asked the President to be a national leader of that campaign and we need all of us working on that to deliver that message.

Second, we need a strong economy. We need the kind of job growth that we have seen over the last couple of years. We need to see that continue. Nationally, I think we have 5 million new jobs in the last 2 years.

In Delaware, we are up to 10,000 jobs in the last 12 months alone. We only have 10,000 families on AFDC and to the extent that we can create those kinds of jobs, we can better move welfare recipients into private sector jobs. I don't want a public sector work force. I want private sector jobs. The need for the continued work on a strong economy is much appreciated.

Earned income tax credit. Congress doesn't get a lot of credit, the President doesn't get a lot of credit sometimes when you do the right thing. You did the right thing with respect to the earned income tax credit last year. You have made it possible for me to say to the welfare recipient in my State, take the \$4.25 an hour job. It is effectively a \$6 an hour job because of the earned income tax credit. What would be real helpful, though, is for us to be able to bring the benefit forward so that I don't have to wait until next year as a welfare recipient when I file my taxes, that I can actually see it in my paycheck on a regular basis.

John is experimenting trying to bring the ITC forward and the Department of HHS is maybe issuing checks. But there has to be a less cumbersome way to do that. The important thing is, we have the ITC. Now let's put it in a way that is effective and provides a real incentive in making work pay for recipients.

I would like to be able to bundle some things, take the cash value of an AFDC grant or of food stamps or of child care for a particular recipient and take part or all of that and give it to an employer for a period of time. That employer would hire somebody, train them, bring them up to speed to be a productive employee, maybe provide onsite child care, provide health care for a company's plan. We need that kind of flexibility. That would be helpful to be able to experiment with that.

We need help in my State. We will be spending more State money in the next couple of years on child care. We will be requiring girls to stay in high school, we will be requiring people to take jobs within a period. In doing that, we want to make sure that they do have child care so that the kids are well cared for. I want to make sure when a person takes a minimum wage job and leaves welfare they don't walk off a cliff and lose their health care at some point. We will be spending more State money for Medicaid and would invite the Federal Government to join us in that.

We need help with interstate child support enforcement. Mine is a little State. You go 30 miles around northern Delaware you could be in Maryland, Pennsylvania or New Jersey. We do a good job in Delaware collecting child support enforcement for people in our State, but when they move across the line it is a lot more difficult. We need your help and we need the help of other States in order to be able to go and get the money for kids.

We need to be able to do a Delaware plan or a Michigan plan without going through all this time and effort on our part and on the part of the Federal Government to get the waivers. A lot of the stuff we want to do, you give us a waiver for it. Don't give us a waiver for it, but rewrite the law and rewrite regulations so we don't need a waiver, so that we have the flexibility right from the start. And let's use some of the people and the administration that spend so much of their time looking at waiver requests, instead of doing that and micromanagement, why don't we let them figure out what is working in welfare reform, what programs, what States, what counties around the country are doing a good job of moving people from dependency to self-sufficiency and for them to maybe be a clearinghouse to share ideas.

A couple of concerns on block grants. I think some approaches lend themselves to block grants. I want to make sure that we are able to make more work pay, that a person is better off by taking a job, not worse off.

I am concerned that we not inhibit the ability of us to do that by somehow block granting and not permitting AFDC maybe to grow and to continue for at least a little period of time. We expect to continue and let someone receive a portion of their AFDC grant when they take a minimum wage job until their income reaches a certain point. I want them to be better off from working, not worse off.

Another concern, we are going to be spending more money on child care. Absolutely. We are willing to spend our State's money and we think it is a good investment of our State's money, a good investment of Federal money. My gut tells me that if we make that kind of investment, a couple of years from now we will be spending less for child care, but initially we expect to spend more. The same would be true with health care as we try to move people into private sector jobs which eventually will have health care.

Also a concern on block granting recessions. I was elected, Representative Levin was elected in 1982. We were elected at the bottom of the worst recession since the Great Depression. The economy will eventually go back into the tank, we just don't know when or how far. I want to make sure that when that happens and our

caseloads are sort of naturally driven up, that we don't end up without any kind of a life preserver.

Flexibility in mandates. The kind of flexibility that I want also includes—let me say where we have been. In the past, if a State wanted to say we want to put a family cap in place, to say that if you are on welfare and you have more kids we are not going to pay you more money—in the past we have been prohibited from doing that. The Clinton administration gave us waivers to let us experiment with that, but we have been prohibited from putting in place a family cap. Now we talk about an arrangement where we impose automatically, we don't give a State any alternative from having a family cap. We go from one extreme to the other and that is not my definition of flexibility.

Another example of where we have been, in the past our system has been one where we say look if a teenager has a child we will provide the full range of benefits for that teenager and that child. We sort of go from that mandate in that one direction to a potential mandate saying that if a State even wanted to provide benefits or assistance to a 13- or 14- or 15-year-old kid who has a baby, you are prohibited from doing that.

So we take away our flexibility, but we do it in another direction, and I don't think that is what most Americans want. I don't think that is what we want to do in Delaware. As John says, most welfare recipients want to work. I think the people of this country and the people of my State want to help them work. We expect them to work. We want to prepare them to work and to help prepare them for work. We want for them to go to work, we want them stay at work. We don't begrudge helping people, but we want and expect them to go to work and to stay at work.

Last, we need to work together. I found in 1988, I was frustrated in our efforts to try to reach a middle ground. We started off with a democratic position on welfare reform and in the end we voted in two options, a democratic plan which was maybe on the love side of the tough love scale, and then we had a Republican plan, which was probably on the tough side of the tough love scale, and we really didn't have an alternative to do anything in between.

I hope that Governor Engler, working with other Governors and with all of you, can find a way not to polarize this issue but to find a way to work together and I think there is common ground and common threads that we ought to be able to do that and I think this is a good start today.

Chairman SHAW. Thank you both. I am confident the two of you could sit down and draw up a plan this afternoon.

Mr. Camp.

Mr. CAMP. I thank the Chairman for yielding and I welcome the Governors, my former colleague Governor Carper and Governor Engler, thank you.

We are not only from Michigan, but we are from the same part of Michigan. I thank you for the bold leadership you have shown in our State and that you have brought not only to the issue of welfare, but other issues that have made a positive difference for people in our State. These are the Federal child welfare regulations only, 18¾ pounds. It cost almost \$20 to mail one package of these to you in Lansing. So we do have a problem. And I appreciate, Gov-

ernor Carper, you are saying that we need to rewrite the law so you don't need a waiver. That is what we hope to do.

Governor Engler, have you been denied—we heard Secretary Shalala testify about the number of waivers the Federal Government has granted. Throughout your application, can you tell us a little bit about what that waiver process is like? Is it complex? Are you ever denied waivers?

Governor ENGLER. I think that we have two sets of waivers approved; one under the Bush administration in 1992, and last fall under the Clinton administration. In both instances, the administrations were willing to work with us and cooperative in the White House, but HHS and their process is ridiculous. It is a process that needs to be eliminated.

Why do we need Washington to say please let us reform our programs? I think that we ought to get rid of the process. What I would call for in a block grant is to eliminate the filing of a State plan in Washington where it has to be approved by Federal officials; let each State write their own plan and keep it on file in their capitals and make it available.

I certainly accept accountability for how funds are expended, but I think that everything that Governor Carper suggested in terms of flexibility ought to be the decision of the respective States. One size doesn't fit all. We can work through a waiver process, but why? Is it just to keep bureaucrats busy?

If we are looking to cut the budget, I say turn the power back to the States and get rid of the bureaucrats. We have a lot of interest groups who follow welfare systems, let them analyze which programs work and which don't. We don't need paid Federal officials to do that for us. I think that is how we get started on bringing this Federal deficit under control. We need to get rid of unneeded and duplicative services that are being performed in Washington that aren't contributing any solutions at all.

Mr. CAMP. What is your view on requiring job training as opposed to requiring work and if a block grant for those job training programs were given to Michigan or to the States, would you, as part of the plan, craft a program that emphasized training and education?

Governor ENGLER. Again, I think that a State would be well advised to have that. It is a core of what I think virtually every State is doing. We recognize—we both said that today—that the best welfare program is a job. This shouldn't be about a competition to see who has the best welfare in the Nation, but who has got the most jobs and how do we get people working.

To the question of should Congress mandate that, I want to be somewhat consistent taking perhaps a more conservative viewpoint than even the Committee majority might choose to take, that is, let the States decide that. I think we would all decide to have a work program, but let us decide it, let us craft it. If you want to say that we should have one, fine, but don't invite Federal bureaucrats in to define what kind of program we should have.

Mr. CAMP. In Michigan, what has been some of the reaction not only through the welfare infrastructure which we call the Department of Social Services, caseworkers and others and their clients in terms of participation rates and your social contract, with em-

ployment and can you give us an idea of how your reforms and the changes they have made have impacted people?

Governor ENGLER. The social contract was implemented October 1992 under the Bush administration waivers. It was a voluntary program and we have been getting participation as high as 70 percent. What is the social contract?

To summarize, it is almost a reciprocal agreement. Someone comes into one of our offices and says I need help; we say we will help you if you meet the qualifications for help, and if we help you, you have a reciprocal obligation that you must help by either going to work, by training to go to work or becoming a volunteer. We have ended the process of simply sending a check to that person's home and saying let us know when we should stop sending the check. We have had good participation in that.

The reaction on the part of the professionals in the bureaucracy I think started out to be quite skeptical. Most of our workers who have been with us any period of time have been through all those regulations that you are holding up and they have seen these programs change almost annually and are almost beaten down by the process. We say we are going to clear away some of these obstacles that prevent people from working whether it was on income disregards or limitation on how many hours you could work in a month or whether or not there could be two people in a home.

We took social workers and put them back on the focus of why they went into social work in the first place. There is great skepticism in the States about ever getting the Federal grip off their throat but there is great enthusiasm for that prospect. So we view this short period of time as critically important and one of the reasons there is, at least on my part, a sense of urgency is I think there are those in the Nation who are comfortable coming to Washington trying to set social policy for America in all of our States. What we are saying is turn that back to the States. And they are reluctant to travel to Lansing and Springfield and other parts of the hinterlands that they have perhaps never visited, but I think to have to go to Tallahassee might be an enlightening experience for someone who spent their entire career in Washington, DC.

Chairman SHAW. The time of the gentleman has expired.

Mr. Ford.

Mr. FORD. Governor Carper you mentioned in your testimony about the flexibility that we should give States. But, I guess, in the closing remarks of your statement you went beyond that and talked about the flexibility and having some type of Federal guidelines as we might give the States this flexibility. Are you speaking of this flexibility in the AFDC Program itself on how we go from one extreme in current policy of public welfare into a new block granting program that is being talked about under the Contract With America?

Governor CARPER. If we are not careful, what we may end up with is having to replace one overly prescriptive approach for another overly prescriptive approach and I don't think that is what we want or need. In the State of New Jersey, a year or so ago they decided they wanted to experiment with the approach to a family cap, to say if a welfare recipient on welfare became pregnant after a year or so, that they would not increase the size of the grant to

that family, to see what effect, if any, it would have on discouraging a second or third pregnancy for welfare recipients. The law of the country said you can't do that. The then-Governor of Florida had to work hard with the administration to try to get relief from that restriction.

For us to go from that position to an approach saying to a State you may not increase the size of a welfare grant to someone who is having a second or third child while they are on welfare, I think that goes too far in the other direction. We want the flexibility to figure out what works best in Delaware or Michigan. In my State we may want to experiment in a couple of years with the idea of not providing a full range of benefits for—

Mr. FORD. But the block grant program would give you all that flexibility would it not?

Governor CARPER. I speak not knowing what the Personal Responsibility Act says or does in detail. I am somewhat familiar with the so-called Contract With America where States, as I understand it, would be denied the ability even if they wanted to provide benefits for a teenager who had a child who was born.

Mr. FORD. What about that? The teenage pregnancy campaign that you talked about, we can't just say no to sex and think that would be a national campaign. Out-of-wedlock birth among teenagers is growing rapidly. How do we address that in this legislation and what type of national campaign is needed?

Governor CARPER. I talked about the 2,500 sexual episodes kids are exposed to every year where the message is go for it and there are no consequences. I think we have to show that there is a consequence. Here is a message I take to kids in junior high schools and high schools around our State. If a 16-year-old girl becomes pregnant and drops out of school and does not marry, the likelihood that she and her family will live in poverty is almost 80 percent. If that same 16-year-old girl does not become pregnant, finishes high school, waits until 20 to have a child and marries, the likelihood of poverty is 8 percent. That is the kind of message I would like us to offer over and over again.

I think eventually that kind of message sinks in. That is part of the message that I think we have to deliver, that there are consequences to teenage pregnancy. The consequences are living in poverty, the consequences are they end up dropping out of school, more likely to become drug addicted and more likely to be in prison and on welfare.

Mr. FORD. What about the State of Delaware as it relates to child support enforcement? Have you had a problem when you try to collect child support payments when people leave Delaware?

Governor CARPER. That is a tough one. We are a little State. We are about 40 miles wide and 100 miles long. We have about as many people, maybe a few more than the average congressional district. When someone moves across that border, it gets very difficult to go after a noncustodial parent and make sure they are paying what is owed. I am told that there is close to \$50 billion in child support enforcement orders that are in place. We are only delivering a fourth of the money to children and to families that are owed that money. We need to do a better job. To the extent that

we can do a better job—you can help us do a better job collecting that money that potentially is less of a drain on taxpayers.

Mr. FORD. Will States do a better job with this block grant program if it is implemented to protect the children of this country who are at risk?

Governor CARPER. I am not confident that we will and I have a healthy skepticism that we will. I am going to withhold final judgment until I know more about the actual proposal.

Mr. FORD. Should we continue a strong Federal support program?

Governor CARPER. We need to strengthen our ability to work together across State lines, and I think there is an appropriate role for the Federal Government in interstate collection of child support that is ordered.

Mr. FORD. Governor Engler, you talked about reform can save money, welfare reform can be a win-win for both recipients and taxpayers and in Michigan our strategy to encourage work over welfare has saved taxpayers more than \$100 million over the first 2 years. Isn't it true that you eliminated the general assistance program where you save a lot of money and just cut people completely off? Isn't it true that you took kids off AFDC and put them on Supplemental Security Income, that they receive checks, and that makes up the \$100 million savings that you might have in Michigan?

Governor ENGLER. No. Let me separate the two.

It is true we had general assistance in Michigan, a program that paid cash benefits to single, able-bodied adults primarily, and we saved a quarter of a million dollars annually on that, but I don't include that in savings because that is a savings approaching \$1 billion, getting rid of that program. We actually used—that was a Michigan-funded program. We did not have a Federal partner on that program.

We ploughed back much of that savings into supporting benefit levels on the AFDC side and the savings I referred to are a result of a cost neutrality, a study that we have done of our Federal waivers. We were required to do this report as part of the Federal waivers received in 1992 and this is showing the \$100 million savings that I referenced and those are AFDC, Medicaid and food stamp savings.

Mr. FORD. Many of these kids left AFDC and went on SSI; is that correct?

Governor ENGLER. No. We certainly have children who qualify. SSI is a Federal program. We don't write the rules for that.

We try to comply fully with SSI. If somebody qualifies, of course we want them to take advantage of the program but the savings I refer to are programmatic as a result of work requirements and some of the methodology shows how we have saved on both administrative and cash costs because we have been moving people out of welfare into work.

Mr. FORD. The sanctions, and you mentioned in one of the examples, this woman who was offered a job in this program and that is what we must do in this welfare reform package; able-bodied men and women must go to work if the job opportunity is presented to them. We understand that. What are the alternatives

that we must put into this new welfare policy that will make this happen? You said there was a decrease in section 8 rent and an increase in food stamps. So where the savings comes in, I don't know, from the Federal perspective on it.

Governor ENGLER. I would say that we probably ought to, first of all, repeal from the food stamp law the requirement that we can't penalize or reduce food stamp benefits for a family where there is a child under the age of 6. I think if there is a child under the age of 6, but the parent says I am not going to work, we ought to be able to sanction the family. That is one specific change that can be made.

I think we should have an opportunity to perhaps say that section 8 eligibility is contingent upon going to work if work is available as opposed to that becoming an entitlement that lasts forever. In other words, give us the flexibility, we will put those kinds of changes in. We may do it differently than other States, but that is fine because we will have 50 different laboratories of innovation at work trying to crack what has been a pervasive problem.

I think for those that defend the current system the burden of proof is on them to defend the failed system. I think those arguing for change and reform do so against a backdrop we know that what we are replacing doesn't work. To presume that those who want to defend the current system should be given debating points for saying those who propose change have to overcome some burden, I think that is false.

Mr. FORD. Do you support the family cap?

Governor ENGLER. I would leave that up to the States. I think that New Jersey's approach that we didn't apply for a waiver to get a family cap, we are very interested in what is happening in New Jersey. I guess I think that we ought to have the availability of all of these different experiments around the Nation to say do we want to go with a family cap or not.

I am not necessarily troubled by that, but it just isn't the strategy that we have employed at this point, just like cutting off benefits for a teenager who becomes pregnant. That is not a strategy that we have sought to employ. I would like to see how it works in a State that does try that, but we have a strategy and a plan that we think is working pretty well for us and more importantly it is getting people off welfare.

Fifty thousand AFDC places closed in the last 2 years and that is the direction we ought to go. If we could take these 154 training programs, block grant those, we could do a much better job with the job training money that Congress is sending out there and we could improve the program dramatically just by getting rid of the administrative costs.

Mr. FORD. The time has expired for me.

One thing, Mr. Chairman, Mr. Camp, you mentioned about the 18, 19 inches of child welfare amendments. I just want to state for the record, unless you mean welfare issues that are pertaining to this particular bill, child welfare amendments are not included and not a part of this debate in welfare reform. Those are not issues that we are taking up before this Committee on welfare reform, if I am correct on that, Mr. Chairman.

Mr. SHAW. Mr. McCrery.



Mr. MCCRERY. Thank you, Mr. Chairman, and thank you, Governors. Thank you for coming and sharing with us your views today, and congratulations on your efforts to change the welfare programs in your States. And evidently you have had some degree of success.

The question, though, that keeps coming back to me as a Member of Congress and as a policymaker at the Federal level, when we talk about block grants, and certainly I don't want to give you the impression that I am going to oppose block grants, I like the concept generally, but if you say just give us the money, no regulations, no strings attached and we can do a better job, that may be, although the question I get from the press occasionally, for example, is: Can we trust the States to do the job with the money?

Isn't that why the Federal Government took over this responsibility in the first place, because the States were not fulfilling that responsibility?

Governor CARPER. Could I answer that?

Mr. MCCRERY. Let me just complete the question because I want you to address both parts of it. Another part of the question is: If we raise the revenues, if we impose the taxes at the Federal level, why shouldn't we control the program? Is the answer for us to cut taxes at the Federal level and allow you to raise taxes at the State level to fund your own welfare programs?

Perhaps that would be a way to cut the Federal deficit. It sounds good to me. I will let you comment on that.

Governor CARPER. I will comment if I could. An entitlement program is as much a financing mechanism as anything else. If a Federal Government gives money to a State or local government or to an individual, funds 100 percent, we should not expect necessarily—you should not expect that the money is going to be well used. If you don't require of the State or local government or the individual, you may be unpleasantly surprised with the abuses that occur. Child care and AFDC and Medicaid, the States are your partner in this financing mechanism that we call entitlement.

We essentially fund half of it. If we want a more generous benefit, we have to pay for half of it. The Feds match that. But it is real important that you continue to ask the States to be full partners in paying for this stuff, otherwise you will find that the money is misspent far more than is already the case.

Governor ENGLER. I would approach it from this way if I could, Congressman. I am not sure that the Federal rationale was at all that the States weren't doing their jobs. I mean, certainly I would point out to the Committee that if there were Federal concern about how effective State programs were, there probably would have long ago been an effort to federalize the level of benefits. There is more than a 100-percent variation between States on benefit levels, so clearly once you federalize, there are rules and regulations.

And I just think that the power that has been accumulated in Washington is in part in this area like in so many other areas an effort to control programs and to control money that isn't being raised by Congress. In effect, what I think has happened is your rules and regulations are not only controlling the money you are

spending, but they are also controlling the money being raised in the States.

And I would take the deal in a minute if you said to me you will release the revenue source and turn both the source of the revenue and the program back to the States. We can make that deal and shake hands right now.

I fear, though, with your \$4.5 trillion in debt in Washington that you perhaps need that revenue source to retire some of your debt, which I support and applaud the balanced budget amendment. You probably can't unhook quite as easily or quickly as you or I might like, therefore, how do we transition from a system that has been federalized to a system that is filled with innovation and allows us to get at the real purpose of welfare, and that is to get people out of poverty and break that pernicious cycle, and I think that is turning it back.

I think the States have to come back to the table and say we are willing to be part of this, given the context of the whole Federal budget, and that is where at least I have been willing individually to say we are willing to engage in a discussion about some type of level funding or inflation funding, but nothing like the Congressional Budget Office estimates of what these programs are costing out into the future.

We think that the tradeoff may be appropriate because we think there is that much savings that is potentially there with the freedom and flexibility. We also think the public is—the Kaiser Foundation just this week, it was out yesterday, released a survey that they took, a national survey in January of this year, State versus Federal Government, regarding welfare reforms, do you think government officials should experiment at the State level, 52 percent; reform at the national level, 29 percent.

I think there is overwhelming public support for letting the States tackle this problem. We just need the elected representatives from the States who serve in Washington to stand with us on this question.

Governor CARPER. Mr. McCrery, you may want to consider for the Federal Government to give States objectives, certain benchmarks, objectives for us to achieve in order to be eligible for a full range of funding. One idea that comes to mind is to require us to reach a certain percentage of determination of paternity in order to fully participate. Those are the kinds of things I think make sense.

Mr. MCCRERY. So you do recognize some role for standards, objectives, goals at least at the Federal level as long as we are providing the tax revenues.

Governor ENGLER. Part of the tax revenues.

Mr. SHAW. The time of the gentleman has expired.

Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman.

Governor Engler, the Department of Health and Human Services has provided this Committee with a table that takes a hypothetical look at individual States, whether if they had been frozen as is being suggested today with the block grant approach in 1988, what would have happened to them by 1993.

[The following was subsequently received:]

**Hypothetical Impact in FY 1993 if an AFDC Block Grant Provision Similar to the Block Grant Option in the Personal Responsibility Act Had Been Adopted in FY 1988 Using FY 1987 Funding Levels**

(amounts in millions)				
State	FY 1993: Actual Federal Payments	Block Grant: 103 % of FY 87 Level	Difference	
Alabama	\$79	\$57	(\$22)	-28%
Alaska	\$60	\$29	(\$31)	-51%
Arizona	\$200	\$65	(\$135)	-67%
Arkansas	\$50	\$42	(\$8)	-16%
California	\$3,205	\$2,157	(\$1,048)	-33%
Colorado	\$102	\$70	(\$32)	-31%
Connecticut	\$207	\$124	(\$83)	-40%
Delaware	\$23	\$15	(\$8)	-35%
Dist. of Columbia	\$67	\$52	(\$15)	-22%
Florida	\$517	\$202	(\$315)	-61%
Georgia	\$297	\$189	(\$109)	-37%
Guam	\$8	\$3	(\$5)	-63%
Hawaii	\$76	\$38	(\$38)	-50%
Idaho	\$24	\$18	(\$7)	-28%
Illinois	\$487	\$487	\$0	0%
Indiana	\$158	\$111	(\$47)	-30%
Iowa	\$111	\$110	(\$1)	-1%
Kansas	\$84	\$56	(\$28)	-33%
Kentucky	\$166	\$110	(\$56)	-34%
Louisiana	\$141	\$129	(\$12)	-8%
Maine	\$75	\$62	(\$14)	-18%
Maryland	\$190	\$147	(\$44)	-23%
Massachusetts	\$408	\$303	(\$106)	-26%
Michigan	\$751	\$777	\$26	3%
Minnesota	\$239	\$198	(\$41)	-17%
Mississippi	\$75	\$69	(\$6)	-8%
Missouri	\$189	\$146	(\$43)	-23%
Montana	\$37	\$30	(\$7)	-19%

**NOTES:**

The table estimates, for FY 1993, the hypothetical impact of a mandatory AFDC block grant provision similar to the block grant option in the Personal Responsibility Act, assuming implementation of the provision in FY 1988. The level of the block grant for each State is set at 103 percent of FY 1987 Federal payments for AFDC benefits and administration, unadjusted for inflation.

The Family Support Act was not in effect during FY 1987. To avoid overstating the impact of a block grant, Federal payments for AFDC work activities (WIN/JOBS) and AFDC-related child care are not included in either column.

**Hypothetical Impact in FY 1993 if an AFDC Block Grant Provision Similar to the Block Grant Option in the Personal Responsibility Act Had Been Adopted in FY 1988 Using FY 1987 Funding Levels**

(amounts in millions)				
State	FY 1993: Actual Federal Payments	Block Grant: 103% of FY 87 Level	Difference	
Nebraska	\$46	\$41	(\$5)	-11%
Nevada	\$28	\$10	(\$17)	-63%
New Hampshire	\$31	\$12	(\$19)	-61%
New Jersey	\$341	\$298	(\$43)	-13%
New Mexico	\$94	\$45	(\$49)	-52%
New York	\$1,684	\$1,268	(\$416)	-25%
North Carolina	\$263	\$154	(\$109)	-41%
North Dakota	\$22	\$14	(\$8)	-38%
Ohio	\$626	\$522	(\$105)	-17%
Oklahoma	\$140	\$84	(\$55)	-40%
Oregon	\$146	\$92	(\$53)	-37%
Pennsylvania	\$561	\$506	(\$56)	-10%
Puerto Rico	\$65	\$59	(\$6)	-10%
Rhode Island	\$75	\$50	(\$25)	-33%
South Carolina	\$92	\$86	(\$6)	-6%
South Dakota	\$19	\$17	(\$3)	-14%
Tennessee	\$166	\$95	(\$71)	-43%
Texas	\$385	\$207	(\$178)	-46%
Utah	\$67	\$51	(\$15)	-23%
Vermont	\$42	\$31	(\$11)	-26%
Virgin Islands	\$3	\$2	(\$1)	-26%
Virginia	\$138	\$117	(\$20)	-15%
Washington	\$365	\$239	(\$126)	-35%
West Virginia	\$97	\$87	(\$10)	-10%
Wisconsin	\$289	\$348	\$58	20%
Wyoming	\$19	\$11	(\$8)	-43%
U.S. TOTAL	\$13,834	\$10,243	(\$3,591)	-26%

**NOTES:**

The table estimates, for FY 1993, the hypothetical impact of a mandatory AFDC block grant provision similar to the block grant option in the Personal Responsibility Act, assuming implementation of the provision in FY 1988. The level of the block grant for each State is set at 103 percent of FY 1987 Federal payments for AFDC benefits and administration, unadjusted for inflation.

The Family Support Act was not in effect during FY 1987. To avoid overstating the impact of a block grant, Federal payments for AFDC work activities (WIN/JOBS) and AFDC-related child care are not included in either column.

Mrs. KENNELLY. Your State, it is a plus three in Federal funding. Another State gets a plus. Another State gets a zero change. Forty-seven States get a real minus, my own in the range of 40, Florida in the range of minus 61 percent of Federal funding. We know that people don't like the income tax but they really don't like increasing the State income taxes, and property taxes are an anathema.

So what would you suggest to my Governor, Governor Rowland? We know you come out good because you had that recession much earlier than most of the States, that is the way it is resolved. What would you say to Governor Rowland who is looking at a block grant and realizes he is still in recession and still got problems, that he could lose 41 percent of funding and would have to pick it up somewhere else.

Governor ENGLER. I haven't seen the HHS chart. I would like a copy of that to look at it. I would certainly say to Governor Rowland and other Governors, we really have to take ourselves where we find ourselves today. The historical information is helpful and it may be a predictor that it doesn't work free and easy for everyone, but I also think that the risk that we have as States in this process—and in fact it converges interestingly to some political agendas—would be that nothing happens, that there be no change in Federal rules, regulations, that we continue with the federalized system and we pretty much maintain the status quo.

At the end of the day, though, then my fear is that the budget process kicks in and we say, you know, that deficit, recognizing we are going to have to deal with that so why don't we cut these programs 15 percent across the board. And I think the consequences of that for Governor Rowland or Governor Engler or for Governor Carper are pretty devastating.

If we get across-the-board reductions and no freedom or flexibility, then we really are up against the wall. I am trying to put this in context, and a lot of this has to do with what are we going to assume that Congress and the administration might do with social welfare programs or other programs that affect jointly held programs between the States and the Federal Government.

I think that Governor Rowland's situation or other Governors out there and I have talked to Governors, many of them across the country, about—and I think there is a lot of uncertainty about what this means, but there is also a lot of uncertainty about what the status quo means in terms of funding. There is 100 percent certainty about what the status quo means in terms of ability to run our programs at the State level. It means we can't innovate the way we would like or be creative the way we would like to or begin to solve the problems the way we would like to.

We know the status quo doesn't work and we assume it is going to change. The question is how. And I guess I come down on the side of maximum flexibility and we work out these problems.

I realize this is a deliberative process, we hope, between the Governors, among Governors and Members of Congress, Members of the Senate, that we can come to an amicable resolution on this and have the President sign it.

Mrs. KENNELLY. Thank you, Governor. The point of the chart I think, I should be fair to say to you, is what happens when there is a recession and you have a block grant. When I met Sandy

Levin, and I have worked with him for years and you are very lucky to have him represent your State, you were in deep recession and I can remember his being so concerned.

Now I am in that situation. So my point is that block grants, you really have to worry about recession and I think have to work together to look at that.

Taking you up on what you just partially said in the answer, if you look at the Contract, you were asked, Mr. Ford asked you about the family cap. That means an additional baby.

Governor ENGLER. Right.

Mrs. KENNELLY. When you are talking about a family cap, when you are talking about establishing paternity, even if the mother attempts to establish paternity, if a State doesn't establish paternity, you can't get these things.

There is a list of things the Contract mandates. So what you are saying, the flexibility gets lost. If you mandated this whole list of things, you just exchange one list of things for another list of things.

Governor ENGLER. Exactly right. I mean, I have described it this way: Six months ago we had a majority that wanted to proscribe benefits. Now we have got a majority that wants to proscribe behavior. We are still in the proscribing business. I am saying, let's sever that in terms of the relationship between the States.

Unless the Committee is willing to say there is a State in America that can't be trusted to run their program and it is this State or that State or these combinations of States, under our system, the way I think the Founding Fathers envisioned it, they thought States played pretty significant roles in these kinds of issues.

I for one am ready to leave the Congress to deal with Bosnia and the Middle East and Russia and a number of these issues, but let the domestic policy largely be the province of the States.

Mrs. KENNELLY. Thank you, Governor.

Mr. SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

I thank each of you for being here and respect the jobs that you have and the challenges that you have in each of your States. I think it is evident by the Chairman to begin with the Contract itself as a basis for the hearings. Also the purpose of the hearings is to receive input from you and many others so that we can derive a final document.

Also, it is pretty evident there is a difference in each of you as far as your States, as far as your philosophy, and I am sure we will find that as we talk to many other Governors across the States and across the country.

Along with flexibility comes accountability. The only way I know to measure accountability is by results, and I think the results of the current system is why we have accountability on November 8. A lot of people were held accountable.

If we block grant down to each State with true flexibility, that same type of accountability is going to be shifted to you and other Governors and to legislatures across the country. But you mentioned, Governor Engler, accountability in your comments.

What measures of accountability do you envision, and you, too, Governor Carper, as a method of reporting back to the Congress in-

terim results, or should we wait for final results or what should be a period of interim reports so we can know exactly what is going on?

Governor ENGLER. Congressman, I think your question goes right to the heart of it, and I appreciate the question and the insight that it represents because I think Governor Carper mentioned benchmarks. I mean, what are the criteria? What are the percentage of illegitimate births in the State, how many cases, percent of caseload working, you know, what are the benchmarks that we want to pick?

I am willing to—certainly any of those that are mentioned, I am willing to take a number of those areas and say, let's say that each State has to have a work program and has to report back on the effect or the impact of that work program.

I tell you today in our AFDC Program, the last December data shows 26.1 percent of our AFDC cases where the parent is working, earning income in the private sector. The average earnings, interestingly enough, were in excess, have been consistently in excess of about \$400. So those are the folks that are getting ready to go off and we are holding that percentage constant despite the fact that the total number of people on public assistance has been dropping, 25,000 last year from some 50,000 over 2 years. We will give you that kind of data.

States are very competitive. The one thing that you can say about Governors, I suspect is true with Members of Congress, but the Governors, everybody is watching what is happening over in the Great Lakes region, what is going on in Wisconsin, what are they doing in Illinois, what is Ohio up to. And those kind of comparisons are the kind that we ought to be focusing on and we ought to be able to report to the Nation.

And then the accountability really comes at the polls. It has not been 40 years in most States since we had a change of control in legislative chambers or Governors' offices. Those tend to go back and forth as public moods and performance is evaluated.

So I think that is where you get the direct kind of accountability, that it becomes an issue. If I rank consistently 45th in terms of the number of people that are working and we had a 16-percent drop in minority infant mortality this year, which was the largest drop in the Nation, we were excited about that and we told everybody that would listen. That is the kind of accountability.

Let us report that to you, and then you could call in those who would give us the exposure and publicity for the successes.

Governor CARPER. Mr. Congressman, if I were in your shoes today, and I almost was, today, if I were in your shoes today, I would be interested, as I mentioned already, in requiring us to set objectives perhaps with determination of paternity.

You may want to consider setting objectives with respect to reductions in teen pregnancy. You may want to set objectives, measurable objectives that deal with reducing caseloads or reducing the amount of time that people spend on welfare, on AFDC. Those are the kinds of reasonable objectives that I think that I would want to set if I were, again, in your shoes.

Governor ENGLER. Administrative costs, too.

Governor CARPER. Let me caution us, though, the notion of block granting everything, I am not sure that the block granting always leads to flexibility. I am going back to 1982 when Representative Levin and I came to this place and the situation in Michigan was a whole lot different than it is today. The kind of strong job growth that Michigan has experienced in the last 2 years we sure were not expecting in 1982.

Some time in the future, this country, his State and my State, will find ourselves where we were in 1982. And at that point in time, keep in mind if we have a block grant situation and our country is operating under a balanced budget amendment—and I hope we will be under some kind of a balanced budget amendment, I hope a responsible one—but what are we going to do when the unemployment rate is exceeding 10 percent, new families, people who desperately want to work if they can find a job to help support themselves and they are trying to find a place to work and we have no ability or very limited ability as thousands or tens of thousands of new people are added to our caseloads, whether it is food stamp needs or AFDC needs or their child care needs. It is something we have got to keep in mind as we consider block granting, particularly the concern about a recession.

We used to be pretty good around here about adopting stimulus packages when the recession was over. It reminds me of the old saying about editorializing: The soldiers that came in when the battle was over and shot the wounded. We used to be pretty good at passing antirecession packages here when the recession was almost over and we didn't need the stimulation. You have got to be real careful about putting in place a block grant program that finally provides relief to States in a recession to help us with our additional caseload when the recession is over.

Thank you.

Mr. SHAW. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

During this debate, we have seen the notion that, overall, levels of spending equal compassion in the welfare system. And I wonder if the two of you would comment on whether you regard aggregate levels of spending as the best indicator of how compassionate a welfare system is?

Governor ENGLER. Congressman, again, I think the evidence is clear it has no relationship. I mean, we reduced spending in general assistance and I think that was a compassionate thing to do. We said, go to work if you were single and able bodied.

Again, it isn't a contest to see who can have the best welfare program being defined as perhaps the most generous grant or the total spending that is the highest for a welfare program. I think it is how many people move from dependence on the State to independence, taking control of their own lives and being able to raise a family, that will in turn be independent, can go to a quality school and get an education. I think those are the measurements.

We know if we were to use education by analogy, it isn't clearly those who spend the most on education that get the greatest results. Congressman Nussle seated next to you is from Iowa where they spend less than many States on education yet their math



scores are consistently among the highest. I think there is no connection.

Mr. ENGLISH. Governor.

Governor CARPER. Let me say, if you simply give somebody something and you don't require anything in return, don't be surprised when they don't give you much in return. The Governor here and I are most interested in a contract of mutual responsibility. I talked about it earlier, I will just reiterate it.

In the welfare waiver we are going to be asking the administration for later this month, we establish this contract of mutual responsibility. The people of Delaware are willing to do certain things out of their generosity to help somebody who might need some help. We will help them get their high school degree, maybe a little job training. We will help them find a job. We will even help them get to that job. We will try to make sure they still have some health care and some child care for their kids. But we expect something in return.

And what we expect, as I said earlier, yes, we expect them to take advantage of the training, the job training, the job placement. We expect them to take the job, even the minimum wage job that is offered. We expect them to work the job, not to quit the job. We expect for their kids to be in school and we expect their kids to be immunized.

To the extent that the recipient is not willing to do their part of the bargain, first time—under our proposal, first time a recipient quits a job and goes back on welfare, they lose a third of their welfare and their AFDC grant and their food stamp grant. They can cure that by going back to work. The second time they quit a job, they lose two-thirds of their combined AFDC grant and their food stamp grant. They can cure that by going back to work.

The third time they quit a job, a job that we helped them find, that is it. Their eligibility for AFDC ends permanently in our State from that point forward. That is a tough love approach but that is the kind of sanction, potential penalty that I think gets someone's attention. We are willing to help people but we want something in return. It is a two-way street.

Mr. ENGLISH. Thank you, Governor.

One of the things that I have noted in this debate is that there is a concern that by somehow eliminating some of these entitlements and passing the resources back to the State in the form of block grants would imperil many of the recipients.

You are obviously familiar with most of your colleagues and I know you, Governor Engler, were very active as a State legislator before. In your view, do you know if any Governors, or any State legislators would be willing to eliminate child nutrition programs, for example, or make any of the other draconian cuts that seem to be raised here as a concern?

Governor ENGLER. I don't. I think Governors and State legislators ought to be offended perhaps is the word at that suggestion coming out of some of the national policy groups that would suggest that merely turning this back to the States is to put us back into the dark ages and end any enlightened treatment of people who, regardless of circumstances, have found themselves having to come to the State for help.

I think that if those same groups, if you cut through some of what is being said, if they are really saying we don't want a system that is going to put the reciprocal responsibility that Governor Carper has described in terms of the approach that he is seeking, that is a different story and they ought to come forward and say this is really what we are saying.

And I think if you scratch deep enough, that is exactly what they are saying, that we want to view this as a continuing entitlement and we are not interested. And I think there is a poverty industry in this town that has done quite well talking about poverty for 40 years. I think it is time that we start solving and unraveling a system which has given us more poverty and more illegitimacy, more broken families, and more desolate communities.

Governor CARPER. If I may respond to your question as follows. You assume that we knew the Governors. As it turns out, we don't know all the Governors. We knew the Governors that were in office prior to this. There are a lot of new ones. We don't know them as well. I don't know them as well. And some of them, frankly, don't have a clue as to whether or not they would like to see anything block granted. They have not even been inaugurated and have not had to think about these kinds of things.

Governor Pataki, who was before you the other day, he told me a week or so ago, right now he is trying to figure out how he is going to cut \$5 billion out of his State's budget by the end of this month. My guess is he may not have decided how to do it. Tom Ridge in Pennsylvania and some others, they probably haven't decided either.

What I do know, and I think I can say for all Governors, we want to be able to—whatever we come up with, we want to make sure—and this maybe should be your litmus test—that it enables us to help people prepare for work. It enables us to help people go to work. It enables us to make sure they continue working. That maybe should be our litmus test.

Mr. SHAW. Thank you.

Mr. Levin.

Mr. LEVIN. Thank you very much, Mr. Chairman.

Welcome to both of you. Maybe we should start by clearing some of the debris from the debate. I think, Governor Engler, as you said about the status quo, I think it is gone. The status quo is over. I don't really think there is a conspiracy in this town to keep it. If there is, no one here is a part of it. No one at this table.

Second, those regulations that you and my friend David Camp referred to, most of them are on their way out. Flexibility is coming. A number of us have been working on welfare reform for 5, 6 years. I started back in the mideighties with Senator Moynihan. Many of us have been urging greater State flexibility for much of this period.

I take it, Governor Engler, that you would not favor the Contract suggestion that there be a Federal requirement that there be no payments to children born to teenage mothers.

Governor ENGLER. That is right. That was certainly the reference that I made in my testimony, that conservative micromanagement is like liberal micromanagement. It is still micromanagement.

Mr. LEVIN. So you are good at plain talk. You don't favor that?

Governor ENGLER. No.

Mr. LEVIN. And the same with a Federal family cap, you don't favor that?

Governor ENGLER. No.

Mr. LEVIN. Leave it to the States is what you advocate. So let's talk for a few moments about block granting because I have some concern that block granting could simply become a massive cost shifting to the States. And let's look at the Michigan experience. I jotted down a few facts. First, in 1979 and 1980, AFDC rose, jumped 40,000 in Michigan just in 2 years.

Second, despite your very strenuous efforts and in important respects successful efforts in the case of the AFDC caseload, I am now talking about in Michigan, the caseload went up in 1989 from 211,000 to 229,000 in 1993. The figure I have, that projected caseload for 1994 will have gone down 3,000.

The third fact, Mrs. Kennelly referred to the testimony that is coming from HHS. If you took that chart and projected it back 4 years so it were in effect—I mean, Michigan was in a recession, Michigan would have lost \$100 million under a block grant. And then if you take the nutrition block grant proposal in the Contract, Michigan in 1996 would lose \$281 million or 20 percent of the nutrition block grant, 12 percent of the AFDC block grant, and 20 percent of the nutrition block grant.

[The following was subsequently received:]

Estimated Effect of a Nutrition Block Grant in the  
Personal Responsibility Act (allocated by the number of "needy persons" in the state)  
on USDA Food Assistance Programs by State in Fiscal Year 1996  
(Dollars in millions)

State	Level of Food Assistance		State Gains and Losses	
	Current	Proposed	Total	Percent
Alabama	\$818	\$713	-\$105	-13%
Alaska	\$97	\$84	-\$13	-13%
Arizona	\$663	\$554	-\$109	-16%
Arkansas	\$422	\$403	-\$19	-4%
California	\$4,170	\$4,820	\$650	+16%
Colorado	\$412	\$417	\$5	+1%
Connecticut	\$297	\$248	-\$49	-17%
Delaware	\$92	\$58	-\$34	-37%
Dist. of Col.	\$137	\$85	-\$52	-38%
Florida	\$2,194	\$1,804	-\$389	-18%
Georgia	\$1,209	\$934	-\$275	-23%
Hawaii	\$215	\$198	-\$17	-8%
Idaho	\$127	\$176	\$49	+38%
Illinois	\$1,741	\$1,483	-\$258	-15%
Indiana	\$713	\$691	-\$22	-3%
Iowa	\$297	\$266	-\$31	-11%
Kansas	\$307	\$270	-\$37	-12%
Kentucky	\$740	\$582	-\$157	-21%
Louisiana	\$1,141	\$765	-\$375	-33%
Maine	\$188	\$167	-\$21	-11%
Maryland	\$576	\$404	-\$172	-30%
Massachusetts	\$608	\$577	-\$32	-5%
Michigan	\$1,390	\$1,109	-\$281	-20%
Minnesota	\$508	\$490	-\$18	-4%
Mississippi	\$730	\$603	-\$127	-17%
Missouri	\$810	\$754	-\$56	-7%
Montana	\$111	\$140	\$29	+26%

State	Level of Food Assistance		State Gains and Losses	
	Current	Proposed	Total	Percent
Nebraska	\$187	\$175	-\$12	-6%
Nevada	\$145	\$150	\$5	+ 3%
New Hampshire	\$89	\$94	\$5	+ 5%
New Jersey	\$836	\$704	-\$132	-16%
New Mexico	\$361	\$321	-\$40	-11%
New York	\$3,101	\$2,661	-\$440	-14%
North Carolina	\$930	\$849	-\$81	-9%
North Dakota	\$86	\$76	-\$9	-11%
Ohio	\$1,768	\$1,287	-\$481	-27%
Oklahoma	\$528	\$475	-\$53	-10%
Oregon	\$410	\$346	-\$64	-16%
Pennsylvania	\$1,617	\$1,465	-\$152	-9%
Rhode Island	\$128	\$101	-\$27	-21%
South Carolina	\$602	\$546	-\$56	-9%
South Dakota	\$99	\$95	-\$4	-4%
Tennessee	\$983	\$743	-\$241	-24%
Texas	\$3,819	\$2,665	-\$1,154	-30%
Utah	\$234	\$277	\$43	+ 18%
Vermont	\$76	\$66	-\$10	-13%
Virginia	\$783	\$597	-\$185	-24%
Washington	\$660	\$444	-\$216	-33%
West Virginia	\$405	\$309	-\$96	-24%
Wisconsin	\$467	\$442	-\$25	-5%
Wyoming	\$57	\$57	0	+ 1%
US TOTAL	\$40,764	\$35,600	-\$5,164	-13%

Source: U.S. Department of Agriculture preliminary estimates

Note: US Total includes Territories, Indian Tribal Organizations, and Department of Defense

Mr. LEVIN. So let me just ask you, I really think the goals of welfare reform are pretty strongly held across the board to break this cycle of dependency. How are the States going to manage if next year there were a 20 percent fall in the nutrition grant and if a recession were to occur, their demand would go up and the resources would go down.

Governor ENGLER. Well, first of all, Congressman, the data—they have given me a copy of the HHS chart and that creates a hypothetical and it draws, apparently, some of the hypothesis from the Personal Responsibility Act of last session. I don't know if it has been reintroduced in the same format in this session of Congress, the 104th—the assumption we make is one of level funding in some of these areas so it is in sharp contrast to that 20 percent.

Mr. LEVIN. It is not assured either, is it?

Governor ENGLER. Nor is next year's funding assured from Congress given the deficit debate that I understand is going to be taking place. So we do this against a backdrop of uncertainty under—I agree, the status quo is gone and some changes will be made, and whether they are changes that are across the board or whether they are changes that are targeted, we don't know.

What we would propose the change to be is one where we would take some of these existing programs. And I have said we ought to be so bold as to suggest that when we take the cash welfare programs, the seven programs totaling \$17 billion, we bundle those together. Child welfare, 38 programs, \$4.3 billion, bundle those. Employment training, 154 programs, \$24.8 billion, bundle those. And some 336 programs, make them 8 programs and that is how you spend \$125 billion.

And I think that we get pretty close on some of the cost estimates if we are—again, we have this question of how we score things here in the CBO, but my understanding just in what you would say next year's expenditure would be, you would show that continuing to rise, and we are saying some type of level funding, some type of funding plus inflation, some ability to give you certainty of funding and to give us certainty of funding, but then with the flexibility.

The flexibility is worth an awful lot. Is it worth 10 percent? Is it worth 15 percent? Is it only 3 percent? I don't know. It is some number. But what we are saying, and I am saying as a Governor administering the programs in the State of Michigan, that we can make it work.

Are there risks? Yes. There are risks, certainly. We could stop cutting taxes in Michigan. We could start increasing government spending. We could start increasing rules and regulations. I could throw the economy into a tailspin. We could have all kinds of cataclysmic things that could happen and I know there is a concern on both sides of the Committee aisle about some type of cataclysmic event, some type of recession/depression.

Mr. LEVIN. We have had recessions before.

Governor ENGLER. Sure we have, but the thing that we are trying to change here is how do we—these programs that are designed to lift people out of poverty don't work today. I mean, we are improving them bit by bit, waiver by waiver. We are saying it is time for a wholesale change. I just think that you give us the flexibility,

we will strike a bargain here. We will pick a number. Whether it is a number that might be—if you want to give us more resources, I will say that we will accept those. If you want to give us a little more protection against the possibility of recession, fine, we will be good stewards of that extra resource.

So I will accept that, you don't have to twist my arm to talk me into that, but somewhere in this debate, we ought to come up with a number and then that number ought to be what is available to us. We ought to have maximum flexibility with the dollars.

Mr. LEVIN. Thank you.

Mr. SHAW. Mr. Nussle.

Mr. NUSSLE. Thank you, Mr. Chairman.

Welcome, Governors. First of all, the status quo is not gone. Our attitudes may have changed but nothing here has changed. In fact, there are probably supplements on the way to your States right now and I just caution those workers in your States not to make any changes yet.

We are all smiling. We are all happy about the possibility of a change of attitude, but I would disagree with my colleague from Michigan. Nothing has changed yet. We have got a lot of opportunities to make changes, certainly a lot of rhetoric, a lot of words, but no actions yet and we anticipate that, hopefully working together.

As I see, there are two things that trouble me or present challenges to me. One is the money, one is the management from what you have been talking about today. On the management side, and my own Governor in the "New York Times" today said exactly the same thing, we don't want to replace liberal micromanagement with conservative micromanagement or Republican with Democrat, whatever it might be.

But where is the line, because this is—this is the challenge that I think we have. If we have macromanagement instead of micromanagement, which is what my very good friend from Delaware is suggesting, with objectives or targets or something like that, standards, goals, however you want to put it, what I see is the first mistake or the first "PrimeTime Live" exposé or the first "60 Minutes" extravaganza on somebody who has fallen through the cracks or some State that has maybe made a mistake or some area of concern, immediately we are going to tighten the reins and we are going to put a bridle back on the program from this level. And so that fine line concerns me from the management standpoint.

I agree we shouldn't micromanage it, but by the same token, management is management. The other side of that is the money. If we are paying for it, there is a much larger likelihood that we are going to manage it. And to follow up on my friend from Louisiana, his comments, I mean, there is the whole question of why are we getting the money in the first place if we are not going to manage it? I mean, that other alternative, that the whole—the whole approach, if we send the money to Washington and then let it go back to the States, doesn't work because a lot of it gets lost in the shuffle, a lot of it stays out here for the bureaucracy that has been created.

Those are the challenges that I see and I don't know where that line is because I believe the experimentation, the good ideas, the

incubators, if you will, are out in the States. My State is doing, I think, an excellent job with welfare reform. But by the same token, I am just afraid that you are exactly right.

Conservative micromanagement or even macromanagement will cause us over time to slip right back into where we are because of what the media and what politicians will do with those instances of error, if you will, or concern that suggests that it is not working and we have got to clamp it down right away.

I would be interested in both your comments on that.

Governor ENGLER. Congressman, I think that perhaps the new discipline of the new Congress will have to involve uttering the phrase, "I am sorry, that is the State's responsibility." You should hold them accountable and resist the overwhelming temptation for Congress to try to jump in to solve every issue. It is sort of like your help with motor-voter registration and things like that.

I simply think that Congress in the past has been too quick to try to solve problems that appropriately should be solved at the State level. In this instance, because we have got \$125 billion of Federal money out there that is matching probably an equivalent or larger amount of State resources, we have a bit of a problem. That is just a little bit larger than we can, say, disconnect from overnight. How do you transition then from a system which everybody concedes is broken from the status quo which everybody either wants to see gone or concedes is gone.

I think that the way to do this in a short-term approach is to say, well, let's start by bundling up 336 programs, let's maybe make them 8 programs. Block grant the money, let's start measuring that. Over time, I think it would be wonderful to say we are going to release the revenue sources to the States and you are on your own with the programs.

You have two Governors sitting side by side. The average grant in Delaware is \$328. In Michigan, the average grant is \$459. Now, to this date, Congress hasn't made that a Federal issue and said, well, Michigan is too high or Delaware is too low and other States would have different levels.

In other words, we don't really have a Federal program. What we have got is a federally proscriptive process by which all of our programs are dominated by an unelected bureaucracy over at HHS. And we are saying, let's at least clip the apron strings with that bureaucracy, put us in charge, continue to monitor what we are doing and have a debate about how well we are performing, but give us an opportunity.

You have tried it for 40 years with Washington in the front seat driving. Now let's get Washington out of the driver's seat. Let's put them in the back. We will take them along. We will show them how to do reform State by State, issue by issue, and I think at the end of a 4- or 5-year process, you will conclude that this was a prudent decision to make and you will find, also, that not only was it a win-win in terms of the taxpayers winning, in terms of costs at the State and Federal level, it was also a win in terms of restoring family and individual independence and responsibility.

Governor CARPER. If I could comment briefly. You mentioned at the beginning of your comment, Representative Nussle, you said nothing has changed and I don't entirely agree with that.



What has changed is this administration is interested in letting us experiment, and even though the waiver process takes longer than we want, generally they are granted. And in Michigan and I also know we in Delaware will be able to experiment in ways a State 1 year ago couldn't. Plus you have got a President who was a Governor. And he understands.

He sat, literally, where Governor Engler and I are sitting a couple of years ago and he was very much interested in letting these experiments happen and he doesn't believe—I don't think he believes that the answer really to all these issues and questions lies here in Washington.

We really have—maybe you can look at the situation where you say we have a dilemma, what do we do. I think it is a great opportunity. It is a real healthy debate that has begun here today and I am very much encouraged by what has transpired in the last hour and a half.

You can decide, we can decide whether we are going to block grant some programs or not. You can decide what to block grant, what makes sense, and what doesn't. You might decide to let some States elect to be block granted. You might want to do what Governor Engler said.

Other States might say, no, I don't want to be entirely block granted in the way that has been proposed. You might want to set objectives and performance. In some of these programs you can say, you have got to meet certain benchmarks in terms of reducing teen pregnancy, reducing the workload and getting people to work. Those are the objectives. And as long as the States are putting our money 50-50 equal to the Federal dollar, that ain't a bad approach at all.

Let me just mention with respect to health care and Medicaid. We are trying to use Medicaid in our State to reduce the number of people who are uncovered. It is a 50-50 share. We pay half of the costs of the Medicaid. The Federal Government pays half the cost of Medicaid.

We are turning to managed care in our State in order to try to provide more coverage, more health care coverage to folks without spending a whole lot more money, more of our money or more of yours, and reducing at the same time those who are uncovered. It is not a bad partnership and we are looking—there is plenty of incentive for us to find ways to hold the cost down.

Mr. SHAW. Governor, I think we are about to give you the mother of all waivers.

Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

Gentlemen, as you know, one of the main principles of the Contract With America and the Republican reform programs in this area and other areas is to return power to the States. We will be successful if we are able to do that in my mind, and what I have heard from you today, along with what I heard this week from Governors Pataki and Weld, gives me a lot of faith that the States are indeed better able to handle this problem than those of us who are making decisions at a distance.

I share Mr. McCrery's concerns, though, about States that don't have leadership that can create the impetus that you have created

in handling the welfare programs successfully. I think perhaps that my concerns will be solved by the democratic process if you get enough publicity and communicate well with other Governors around the Nation but also with constituents whom we serve in some of these States.

I believe that the thrust will be to remove people who aren't creative and haven't developed good management policies in handling these programs. I certainly hope that that will be the result.

What I would like to ask you about, and I haven't heard this area come up during this hearing, is your thoughts about welfare benefits to legal immigrants who are not yet citizens. I wonder if you could expand on what you would do if you had the choice to provide those benefits or not to provide them and if you also believe that the Federal Government ought to retain the strings attached connection in this area.

Governor ENGLER. I will be happy to go first on that, Congresswoman, and I appreciate your comments. On the alien question, again, I would leave that to be a question to be determined by the State. Say if California made the decision they did not wish to provide benefits to legal aliens, that could be their decision. If the State of Texas said, we wish to continue benefits, that could be their decision. In other words, I am willing to leave that to the State.

I understand that there might be, because of that question and its relevancy to immigration policy which I certainly concede is a congressional issue, that you might wish to set a national policy in that area, so I say that to be consistent with the philosophy of what I am advocating today, giving the States maximum authority.

I happen to think that the Contract With America is a very powerful document, a very important statement about changing priorities in this country. I am here today to propose that we actually go further than the Contract would propose and really disengage wholesale areas of domestic policy from joint management by Federal and State government and turn it over to the States.

And I would—earlier, one Member suggested about the Federal Government possibly running it, and I look at programs like SSI which are federally run in effect with administrators. It is totally Federal policy and I suspect that that isn't the model that we would want to use as a national model for running social welfare programs. So that is my argument for turning it to the States, but on the alien question, I would leave it up to the States.

If you wish to set a Federal policy, one that goes one way or the other, I would say I understand that argument. I might then suggest, even if there were a Federal policy that the State not—would not be prohibited from having its own independent policy that it would carry out that might be different than Federal policy. So you would still provide a State option but it might be one that they would have to elect and then pay for.

Governor CARPER. I think Governor Engler said it well. The option he lays out basically to let the States have some flexibility and decide what is right for their State is, I think, a very viable option. My recollection is the Clinton administration and new welfare reform initiative last year said, let's require more of the sponsors of folks who come here legally.

And we may—you may well say that is what we ought to do and then give the States some further discretion. I can—certainly you haven't mentioned it, but I think it is implicit in your question, about folks that come here illegally and have children here and the child is an American citizen and we have a responsibility to cover that child.

That is a tough dilemma and it is also an expensive dilemma for folks not so much in Delaware but certainly in Texas, Florida, California, Arizona, and other places that I can think of. I would encourage you to do what you can in working with the administration to continue to shut down the illegal immigration that is occurring across our Nation's borders, and to the extent you can do that, you will do us all a favor.

I don't know how you say to a person—and I will just use as an example—I don't know how you say to a person in California who doesn't have a job, doesn't have health care, maybe they have a job that doesn't provide health care and they don't have health care for themselves and their family, I am sorry, we can't help you. But to someone who has come into our country illegally and had a child in this country, we are going to provide health care for that child, the parent who has come here illegally.

That is a hard one to explain to people who are American citizens, lived here all their life, worked hard, and don't get squat.

Mr. SHAW. Mr. Rangel.

Ms. DUNN. Mr. Chairman, may I just conclude over here.

The other thing about your testimony in my mind is that it is very hopeful for those of us who want to make changes and give the States more power. It is bipartisan and I think if the proper leaders are in place seeking the proper point of view, I think we can do some things together on this issue.

Mr. SHAW. Thank you, Ms. Dunn.

Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

Some people believe that the Democrats were in charge for 40 years and the problems have been there and we didn't do anything to satisfy their frustrations, therefore, they changed things. And now comes the new majority and they have a Contract With America.

And I gather you, Governor Engler, are saying, well, why don't you just stay out of this and just collect the money and turn it over to us States, because the Congress hasn't done anything, Democrat or Republican, or maybe Congress should just reduce the taxes and let the States raise the taxes and take care of their own problems.

I mean, you don't really seek any Federal responsibilities of setting minimum standards of how we treat our sick and our aged. True, it is domestic, but you don't see any role for the Federal Government except to collect the money and let you take care of it.

Governor ENGLER. That is right, Congressman. I would like to see the Federal role be reduced and transferred to the States because I have great confidence in the State elected officials and local elected officials across this Nation. I do not believe that all wisdom resides in Washington.

Mr. RANGEL. And you think this should be true for health, that we collect the Medicaid and Medicare dollars and turn that over to the Governors?

Governor ENGLER. We could talk to you about that. I am not here to make a proposal on Medicaid today. But——

Mr. RANGEL. Well, I am just trying to say, I think you were implying that we take care of national defense and leave the rest up to you, I mean highways, environment, education, whatever it is, you would just like to see the Federal Government butt out of it.

Governor ENGLER. That is right. I remember this amendment called the 10th amendment of the U.S. Constitution. I think it has vitality today and perhaps we are entering a period of renewal for the 10th amendment, so I think Congress probably could be quite occupied working on some of these international and national issues for some time. And when those are done, come back and see us and see how we are doing on the domestic agenda.

Mr. RANGEL. But why should we collect the money and not have the standards, not have the responsibility and just turn it over to you? I mean, some of us truly believe that having been elected that we have a responsibility for the aged. I know it's domestic, I know it is parochial, but some of us truly believe it.

We also believe that there is a national responsibility for any civilization to take care of those who cannot take care of themselves. I know mayors and Governors may disagree but, what the heck, we think that.

Governor ENGLER. Well——

Mr. RANGEL. What role would you have us play if we collected the money, and turned it over to you, no strings attached? We go to our townhall meetings, we meet with our mutual constituents and they tell us the problem they are having. How would you have us say we don't deal with the standards, we only collect the money? You would not have your fellow colleagues in government play that role.

Governor ENGLER. We are talking about a transition, obviously, Congressman, but certainly let me renew an offer I made earlier. If you wish to reduce taxes at the Federal level and turn the revenue sources back to the States, I will make that deal in a minute. And you can go to the townhall meeting and say, we neither collect the taxes nor set the rules for the program, talk to your assemblyman or Senator or Governor about those issues.

I think there is a national interest certainly in reducing poverty, but I don't know that it is the National Government's responsibility to try to set the rules. And looking at our performance in the last 40 years——

Mr. RANGEL. Listen, so it is clear to me: After national defense, leave the rest up to you?

Governor ENGLER. Yes.

Mr. RANGEL. OK. You don't support the Contract With America, do you, the block grants?

Governor ENGLER. I don't support some of the provisions of the Contract which I view as being proscriptive. I would argue that, as I said, micromanagement, whether it is liberal or conservative, is still micromanagement.

Mr. RANGEL. So you support the block grants, no strings attached?

Governor ENGLER. That is correct.

Mr. RANGEL. Now, you know that under the entitlements, the circumstances require the Federal Government to respond. Under the block grant, however, the Congress responds based on what they consider to be priorities. You are willing to take a gamble with the Congress and the Appropriations Committee as to how poor folks would make out politically with the discretionary grant?

Governor ENGLER. That is correct. Because I know how they have made out under the current system and there are more poor folks under the current system than we had 40 years ago—

Mr. RANGEL. Maybe my question wasn't clear, Governor. Right now, if it is entitlement, the people automatically are entitled and so they can't do it so much except change the—

Governor ENGLER. I support ending the entitlement status.

Mr. RANGEL. What is it?

Governor ENGLER. I support ending the entitlement status.

Mr. RANGEL. So no matter what the changes are in the economy or the changes are politically, you are prepared to say that when the money runs out, the States just have the responsibility to pick up those differences, that we will no longer have a responsibility to take care of people during a recession when they get poor, when they need food, or when SSI money runs out. We should leave that responsibility to the State, and you trust us enough if we trusted you that we will provide the funds that you think you need?

Governor ENGLER. Well, don't give me SSI. That is your program at this point. If you want to talk about SSI—

Mr. RANGEL. No, I mean the whole thing would be turned over. The Contract gives you SSI, gives you food stamps, gives you the whole package, but it doesn't give you a guarantee because you are against entitlements, so no entitlement, no guarantee.

Governor ENGLER. Well, as long as it is understood that the rules under SSI then are not set by Washington but in turn are set by the States. What I am trying to disengage from is a system where we have a partner who wants to set all the rules and regulations and is only putting up half the funds and expecting us to run it.

I am trying to avoid a situation in the future where that partner withdraws funds or changes the rules in the middle of the game and we find ourselves still trying to run programs, comply with all the rules and regulations and being handicapped with our lack of flexibility to run the program the way we think it would be effective, not the way it was designed by some bureaucrat in HHS.

Mr. RANGEL. I support flexibility, but I just can't give away the responsibility of not knowing what you would think is a safety net.

Mr. SHAW. The time of the gentleman has expired.

Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

Governor Engler, I appreciate your remarks, especially regarding the 10th amendment. It was a big issue in my campaign. I think that the problem here in Washington is that we have completely gotten away from the 10th amendment. We have taken a lot of the rights that the States have and said we are going to govern those from here in Washington.

Some of the things you have said may seem kind of radical to Washington. I think we need to at least move in that direction. I think that more and more of the power needs to go back to the States.

One of the provisions that we heard this week is talk about accountability and some of these minimum standards on some of the things that a lot of us agree on.

Representative Gephardt was here the other day and talked about increasing the amount of money if you are performing well. Maybe you can get more money for your State if you are performing well on some of these issues. Would the two of you address that and if you were in favor of that, would you also be in favor of illegitimacy rates cutting some of the moneys, in other words, getting the rewards but also giving the punishments.

Governor ENGLER. I guess I say we certainly like incentives, and that is what we have done in terms of providing incentives to recipients to go to work, disregard the first \$200 you earn, you keep every month. You keep 20 percent above that every month. We found once people start working, they realize by working a little bit more, soon they have more income.

Mr. ENSIGN. Governor, I was actually talking about incentives to the States. In other words, if your State was doing well, you would get more money as a block grant or whatever it is.

Governor ENGLER. If the Congress would afford that, we would be willing to accept it because I believe we would be a recipient of that kind of an incentive program. That is something we would look at. I just don't want to get away from the fundamental policy of who is making the call in terms of how we structure a program, how we run it, how we are going to get rid of those rules and regulations, how we make it work. But I like incentives and I would be willing certainly to gamble on disincentives.

Again, I don't know if that is where the Committee would come down, but I would be open to it depending on the kind of proposal.

Governor CARPER. I like the notions of incentives as well, and I am pretty much where Governor Engler is with respect to disincentives. In setting them, let's just be realistic. Don't set unrealistic objectives or benchmarks and keep in mind, too, that when the economy goes back into a tank and it is 1982 again, our ability to reach some of those objectives might be very much hampered despite our very best efforts.

Governor ENGLER. One idea that has been suggested, Congressman, that you may wish to look at is the possibility, I mean, we would propose that we have some carryforward provision, in other words, that could be a very powerful incentive, that alone. In other words, to say if we receive this amount of money in year one and we did not extend that all, we were able to realize savings, that as we carry that forward, that becomes almost a rainy day fund, if you will, or a contingency fund that in future years might deal with the hypothetical that Congressman Levin proposed or it might help partially offset.

And clearly, if there was some, again, cataclysmic event, it is not uncommon to see Congress if there is a hurricane or if there is an earthquake, say, that there is some type of disaster and come up

with something special but that would be done on a case-by-case, nonentitlement basis.

Mr. ENSIGN. Actually, you brought up my next point and that is the way families also save for rainy days. This is something, a concept I think we need to bring back to our government.

Governor CARPER. I think you will find a lot of States have rainy day funds now. We do in our State and I suspect they do in Michigan.

Mr. ENSIGN. I think that is one of the things we need to deal with, recessions. We heard from HHS this week that if their personal responsibility caps had been put in place, a lot of the States now would have been receiving less money since 1987. They do these projections. It has been mentioned earlier.

With all the money that has been spent on AFDC and all these other programs in the last 25 years, and now we are hearing that if these caps would have been put in place, you would have had less money to spend, do we feel the money that has been spent has been spent well? Do we feel that it has done good for the poor? Do we feel that the poor would be better off if we hadn't spent these funds?

Governor ENGLER. Congressman, I would just say that, again, that data is somewhat hypothetical. I mean, it goes back and picks up some point in time and then comes—attempts to come forward and make a prediction. I would simply say that, to reiterate, you give us flexibility and freedom to run the programs and I think one consequence of that is, regardless of whether the economy is stronger or weaker, we will have fewer people that are dependent on the system because we will have more success in moving people into employability.

Governor CARPER. In the last several decades what we have done is we have given people lifetime entitlement. We have not required them to meet any of the objectives or standards. What we are suggesting or what I am suggesting at the very least is we are replacing lifetime entitlement with, at most, a limited entitlement that would exist.

And also suggesting that there are some programs that can and probably ought to be block granted and there are some that in my judgment should not be, but States, including States like Michigan that maybe want to experiment by having the entire block grant experience, might be given the option of enjoying that.

Mr. ENSIGN. Thank you, Mr. Chairman.

Mr. SHAW. OK. The time of the gentleman has expired and all the time has expired on this panel.

I would like to thank the two Governors. We will leave the record open in the event any of the Members have any additional questions that they would like to send to you and we would then send them to you for a reply. Or if there is anything that either one of the witnesses would like to put into the record, we will let the record remain open for that purpose.

Thank you both. I have sensed a togetherness on this particular issue. Both of you Governors are to be commended for the work that you have done and for your fine testimony this morning.

Governor ENGLER. Thank you, Congressman.

Thank you, Committee Members, for your attention.

Governor CARPER. Many thanks.

Mr. SHAW. Thank you both. We look forward to continuing to work together.

The next panel will be an administration panel from the U.S. Department of Health and Human Services. Hon. Mary Jo Bane, with whom we have worked for some time, the Assistant Secretary for Children and Families, will be accompanied by another old friend, David Ellwood, Assistant Secretary for Planning and Evaluation.

Dr. Bane, your entire written testimony will be included in the record and you may proceed as you see fit.

Thank you.

**STATEMENT OF HON. MARY JO BANE, PH.D., ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES; ACCOMPANIED BY DAVID ELLWOOD, PH.D., ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Ms. BANE. Good. Thank you, Mr. Chairman. Good morning and good morning to Members of the Committee.

I am the bureaucrat. I am accompanied by David Ellwood, who is the Assistant Secretary for Planning and Evaluation. I appreciate the opportunity to come before you this morning to discuss some of the critical issues facing the welfare system. This has been an extraordinarily enlightening hearing for all of us and we are delighted to be part of this conversation with you.

As you know, Mr. Chairman, last year the President submitted a comprehensive welfare reform proposal that addresses serious flaws in the current welfare system. We all agree that the current system undermines work and parental responsibility. Our approach emphasizes work, it emphasizes responsibility, and it emphasizes reaching the next generation.

We are committed to working with the Congress in a bipartisan spirit to pass really bold welfare reform legislation.

Mr. Chairman, this administration believes strongly in State flexibility. The President, as a former Governor, is well aware of the ability of States to respond creatively to the needs and opportunities within their welfare systems.

As a former State welfare commissioner, I am very sympathetic to State concerns about the burden of Federal regulations. The administration's welfare proposal, in fact, would greatly enhance State flexibility with regard to the AFDC rules that most affect working families.

In addition, as both Governors noted, we in the administration have worked with States to test new approaches to welfare. Through the waiver process, we have approved 24 State demonstrations that enable States to experiment with new ways of promoting parental responsibility, making work pay, and helping families become self-sufficient.

As we move forward to consider comprehensive welfare reform, several questions are raised regarding the proper balance between national objectives and State flexibility in the design of the Nation's welfare system. We believe that several key goals should govern our efforts to redesign the welfare system: Achieving national reform objectives of work, responsibility, and accountability; ensur-



ing stability in funding over time and cushioning States and individuals against economic cycles; and preserving basic protections for needy Americans, especially children.

There are a number of indicators of State capacity and performance, outlined in my written testimony, that show considerable variation among States in the extent to which they have moved to encourage work, to increase child support enforcement, and to enforce parental responsibilities. Data suggest that, if we truly want reform, we must balance the benefits of increased State flexibility with the need for a national framework of requirements and performance standards.

The AFDC Program currently is funded as an individual and State entitlement. This doesn't mean that the Federal Government provides States or individuals with a blank check for benefits. I think we agree that we need tough requirements to ensure that parents cooperate in securing child support and to ensure that recipients work.

We believe that a national program should enable States to deliver the help needed by families who fall on hard times and who are playing by the rules. The system should not leave the States with the full responsibility for addressing increased demands on their welfare system in times of economic or demographic change.

Under the current funding mechanisms, if State costs increase due to a downturn in the national or State economic cycle, or if a State's needy population increases for other reasons, then more Federal funds become available. Block grants that are set to reflect current spending could create unpredictable and highly variable impacts due to inflation, population migrations, and changing economic and demographic conditions. The design of a block grant or the allocation of a capped entitlement inevitably requires a formula. Different formulas produce different winners and losers, but substantial disparities always seem to result.

Several people have already mentioned that we provide with our testimony data on a simulation of what would have happened if a block grant had been in place from 1988 to 1993. We asked ourselves what would have happened if such a plan had been in place based on 1987 expenditures. We did the calculations to see what States would have received in 1993 under this hypothetical block grant.

If all States had chosen the block grant option, States in the aggregate would have received 26 percent less than they actually spent. Florida would have received 61 percent less; Tennessee, 43 percent less; Michigan, 3 percent more; Connecticut, 40 percent less.

Using a different 5-year period, of course, could yield different results. For example, several of the States in the Midwest whose economies improved between 1988 and 1993 would have suffered in 1988 under a block grant set in 1983.

As we reform welfare to focus on work, responsibility, and reducing dependency, we must not forget that these programs provide a lifeline for our neediest families. Spending caps could mean, for example, that families whose earners lost jobs or were hit with a serious financial emergency toward the end of the year might be denied benefits or put on waiting lists.

We do not believe that the issues we face cannot or should not be solved. Like you in Congress, we in the administration believe that the welfare system needs to be changed in fundamental ways. Our welfare reform proposal takes bold steps to refocus the system on the national objectives of work and responsibility, while increasing State flexibility and protecting America's neediest families.

But before we adopt a specific approach, it is very important that we carefully assess the likely impact of that approach. We look forward to working with the Committee and others in exploring these alternatives. We also offer our cooperation in providing information as we move forward together to reform the welfare system.

I am happy to answer any questions you have at this time.

[The prepared statement follows:]

STATEMENT OF MARY JO BANE  
 ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES  
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Good morning Mr. Chairman and members of the Committee. I am the Assistant Secretary for Children and Families in the Department of Health and Human Services, with responsibility for many of the programs you are considering today. I appreciate the opportunity to come before you to discuss some of the critical issues facing all of us as we attempt to reform the welfare system.

As you know, the President has submitted a comprehensive welfare reform proposal that addresses what we believe are serious flaws in the current welfare system. Our approach emphasizes work, responsibility and reaching the next generation. And we are committed to working with this Congress, in a bipartisan spirit, to pass bold welfare reform legislation.

We believe the current system undermines work and parental responsibility in far too many ways. It is not nearly tough enough about insisting that recipients who are able to work do so or prepare themselves to go to work quickly. It doesn't do nearly enough to ensure that both parents support their children. And it fails to provide real opportunities and challenges to the next generation.

The Family Support Act was passed in 1988 to address some of these problems. Its provisions made work a more integral part of the welfare program, and it gave more support to families who tried to become independent by taking jobs. It also made substantial improvements in the child support enforcement system to ensure that both parents take responsibility for supporting their children. Unfortunately, the Family Support Act did not go far enough, which is why we, with you, believe that a bold new approach is necessary.

Mr Chairman, let me say that this Administration believes strongly in state flexibility, and also shares your concern and that of state officials about the proper division of responsibility between the federal and state governments. As a former state welfare official, and now as a federal official in constant communication with states, I am well aware of the ability of states to respond creatively to the needs and opportunities to reform the welfare system. I am very sympathetic to state concerns about onerous and inappropriate federal requirements.

Likewise, the President, as a former governor and a former leader of gubernatorial efforts to reform the welfare system, recognizes the critical role states play in achieving true reform. He clearly understands that state governments are closer to the problems and ultimately responsible for the success of any reform efforts. Thus, he believes they should be given flexibility to respond to their different needs and to test innovative ideas.

The Administration's welfare reform proposal would greatly enhance state flexibility with respect to the AFDC rules that most affect work and families. In addition, because of our commitment to state flexibility and innovation, we have worked with states using the section 1115 waiver authority to test new approaches to welfare. Under this process, we have approved 24 state demonstrations that enable states to experiment with new ways of promoting parental responsibility, making work pay, and helping families become self-sufficient.

As we move forward to consider comprehensive reforms, there are several fundamental questions that are raised about the design of this nation's welfare system: What is the proper balance between national objectives and state flexibility? What are the appropriate funding mechanisms for programs for the needy? Should the AFDC program remain an individual, and state, entitlement or be converted to a block grant or capped

discretionary program? What national requirements or accountability standards should govern a reformed welfare system?

We believe that several key goals should govern our effort to redesign the welfare system and ensure greater state flexibility:

- o achieving the national reform objectives of work, responsibility and accountability;
- o ensuring stability in funding over time and cushioning states and individuals against economic cycles;
- o preserving basic protections for needy Americans, especially children.

#### National Reform Objectives

We in the Administration, as in Congress and in the states, are committed to serious welfare reform that emphasizes work, parental responsibility and improving the life prospects of young people. The Family Support Act was very important in beginning a national change in the culture of the welfare system toward one that is oriented toward work and self-sufficiency. Many states are moving further and faster than the Family Support Act required toward a welfare system focused on work and parental responsibility.

There is, however, enormous variation among the states in the extent to which they have moved in these directions. One measure is participation in the JOBS program, which gives some indication of the extent to which a work orientation is reaching the entire AFDC population. In 1993, the percent of countable adult recipients participating in the JOBS program, on an average monthly basis, ranged from less than 10 percent to well in excess of 50 percent. The national average was only 17 percent. We know that states vary in their ability and/or willingness to bring about real cultural change in their welfare systems.

We also can look at the extent to which states choose the option of requiring welfare recipients to work for their benefits, which states can do in a variety of ways under current law. Subsidized work assignments represent only one half of one percent of the assignments in the JOBS program, and unpaid work experience represents six percent of assignments or less. Of all the state welfare reform experiments that this Administration has approved, only Vermont has included subsidized work on a statewide basis. Fewer than half of the demonstrations we have approved involve time limits on benefits or make benefits conditional on work.

Child support efforts also show substantial state variability. For example, the percentage of cases with collections in 1993 ranged from 5.4 percent in Arizona to 38.5 percent in Vermont, with a national average of only 18.2 percent.

We also need to ensure accountability for the correct expenditure of federal funds -- certainly a goal we all share. The importance of national standards in this area is illustrated by the improvement in payment accuracy that occurred after a national Quality Control system was put in place. The national AFDC payment error rate for fiscal year 1973 was 16.5 percent. By 1991, it had declined to 5 percent. In 1991, state payment error rates ranged from 1.18 percent to 9.66 percent. The State-reported rates for 1992 and 1993 suggest that the range in error rates is growing, in that the lowest reported error rate remained less than 2 percent while the highest rate rose to nearly 14 percent.

All these indicators of state capacity and performance show considerable variation. They suggest that if we truly want

comprehensive and widespread welfare reform, we must balance the benefits of increased state flexibility with those of a national framework of requirements and performance standards. This will ensure that states move quickly and effectively to a changed culture of work and responsibility.

#### Fiscal and Economic Stability

The AFDC program currently is funded as an individual and state entitlement. This does not mean that the federal government provides states or individuals with a blank check for benefits. There are strict rules about eligibility. There are requirements -- which we propose to make much tougher -- to ensure that parents cooperate in securing child support and to ensure that recipients work. AFDC must be a system of mutual obligations, with benefits conditional upon parental responsibility and work.

But a national welfare program also must enable states to deliver the help needed by families who fall on hard times and who play by the rules. The system should not leave the states with the full responsibility for addressing increased demands on their welfare system in times of economic or demographic change. Under the current entitlement funding system, the federal government is committed to share a portion of each state's expenditure, depending on the state caseload and benefit level, and the state's economic capacity in a given year. If state costs increase due to downturns in the national or state economic cycle, or if a state's needy population increases for other reasons, more federal funds automatically become available.

We understand that you currently are considering a number of proposals to cap and block grant the AFDC and Food Stamp programs. As you consider this fundamental change in the nature of this nation's welfare and nutrition programs, it is important to carefully consider the effect such proposals could potentially have on states over time and under changing economic conditions.

Consider, for example, a block grant distribution formula based on need, for example, the formula contained in the Personal Responsibility Act for the nutrition block grant. This formula distributes nutrition assistance funds based on the number of needy people in a state. USDA has done preliminary calculations of what would happen in the aggregate and to selected states in 1996. Overall, expenditures on nutrition programs would be reduced by 13 percent because of appropriations levels that are below anticipated spending in 1996. But the effect on individual states would vary enormously. California would receive \$650 million more in 1996 than in 1995, a 16 percent increase. But Louisiana would receive \$375 million less, a 33 percent decrease. Tennessee would lose 24 percent, and Michigan 20 percent. Block grants allocated according to need create large state winners and losers relative to the current system. The Department of Agriculture will share a full report showing impacts on all the states next week.

A different way to construct a block grant would be to base funding on previous expenditures. The block grant alternative to the AFDC system that is included in the Personal Responsibility Act is an example of this kind of distribution. States would be able to receive 103 percent of their 1992 expenditures to use with almost complete flexibility in providing benefits to needy families. We can examine the effects of this kind of a block grant by asking ourselves what would have happened if such a block grant had been put in place for all the states in 1988, based on 1987 expenditures. We did calculations to see what selected states would have received in 1993 under this hypothetical block grant compared with what they actually spent in 1993. If all states had chosen the block grant option, states

in the aggregate would have received 26 percent less than what they actually spent, partly because of inflation and partly because of increasing caseloads. Again, however, the impacts on individual states vary enormously. Florida would have received 61 percent less; Tennessee 43 percent less; Michigan 3 percent more; Connecticut 40 percent less. Table 1 shows the results for all states. Using a different five year period would yield different results. For example, several states in the midwest whose economies improved between 1988 and 1993 would have suffered in 1988 under a block grant set in 1983.

Of course, if the cap had been in effect in 1988, it is possible that states could have changed their welfare programs to keep their costs within the limitations imposed by the caps. But it is hard to imagine that states would have been able to reduce demand enough to counteract the significant economic and demographic changes that were occurring over this period, and occurring to very different degrees in different states. Block grants set to reflect current spending can create unpredictable and highly variable impacts due to inflation, population migrations, and changing economic and demographic conditions.

The design of a block grant, or the allocation of a capped entitlement, inevitably requires a formula. Different formulas produce different winners and losers, but substantial disparities will always result. In deciding whether the fiscal benefits are worth the potential effects on states, historical spending trends may be informative. Since 1972, there have been some fluctuations in AFDC expenditures, but aggregate, real current expenditures (net of child support collections) are slightly lower than 20 years ago. But the relative stability in aggregate spending masks large variations among states. Over the period 1985-1993, state experiences varied widely; a few states experienced declines, while some experienced very substantial increases. Illinois, Iowa, Michigan and Wisconsin experienced declines in real expenditures in excess of 20 percent. At the same time, expenditures in four states (Arizona, Florida, Nevada, and New Hampshire), more than doubled in real terms.

#### Basic Family Protections

As we reform welfare to focus on work, responsibility and reducing dependency, we must not forget that these programs provide a lifeline when a parent has lost a job, a mother cares for a severely disabled child, an abused partner finally takes her child and breaks away, an elderly person can't make it on meager pension benefits, or a working family needs a small supplement. As a nation, we have accepted responsibility for ensuring that our neediest families have some help in meeting their basic needs.

The Personal Responsibility Act would impose a cap on funding for the AFDC, SSI, child support, emergency assistance and other programs and would block grant all food and nutrition assistance programs. It also provides that these programs would no longer be entitlements, for either individuals or states. Instead they would be discretionary spending programs subject to annual appropriations.

Although the legislation does not specify what would happen if spending exceeded the caps in a given year, these changes could have profound implications for our neediest families. They could mean that SSI recipients might not get checks during the last months of the fiscal year. The caps could mean that families whose earners lost jobs or were hit with a serious financial emergency toward the end of the year might be treated differently from families that needed assistance at the beginning of the year. They might be denied benefits, their benefits might be reduced or they might be put on waiting lists. Spending caps could also mean that food and nutrition assistance might not be available to working families when their hours or wages were

reduced. These effects could be worse in recession years, when federal funds relative to need would be greatly reduced.

It is possible that states or private charities could make up shortfalls resulting from the federal government's spending caps, and provide help to their needy residents. But demands on the states are likely to be greatest at precisely those times and in those states where ability to respond is most strained. Particularly in times of economic downturn, it is quite possible that the most vulnerable citizens in the poorest states would be left without the basic necessities of life at a time when jobs are the least available.

#### Conclusion

Understanding the profound issues that are potentially raised by dramatic changes in the funding structure of welfare programs does not mean that these issues cannot or should not be solved. Let me restate that we in the Administration, like members of Congress, believe that the welfare system needs to be changed in fundamental ways. Our welfare reform proposal takes bold steps to refocus the system on the national objectives of work and responsibility, while increasing state flexibility and protecting America's neediest families. Obviously, there are other approaches and other creative solutions to these issues as well. But before adopting one or another approach, it is very important that we carefully assess the likely impact of that approach. We look forward to working with the committee and others in exploring those alternatives. We also offer our cooperation in providing information as we move forward together to reform the welfare system.

I'd be happy to answer any questions at this time.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you very much, Mr. Chairman.

Dr. Bane, we absolutely must do more to help welfare recipients prepare to work. I know this is the administration's goal in the legislation that was submitted to the Congress in the welfare policy of 1994. I even think that we can require them to work if we guarantee them a living wage in society. The administration would support that totally.

I don't think we as Democrats or this administration or Republicans in this Congress want to continue to have welfare payments without welfare recipients, those able to work, if we can identify a living wage and a job, that those persons ought to work in the work force. Is that pretty much where the administration stands?

Ms. BANE. That is correct. We in the administration are very supportive of requirements and encouragements that would help welfare recipients to work.

Mr. FORD. When we think in terms of children, we too have a responsibility really to protect the welfare of children of this country, and all of the talk about block grants or a new welfare policy in this country, I think we are all committed to the fact that these are children. We are talking about the head of the household who is receiving the benefits for the children and placing them in the work force, but we must have guidelines to protect the children of this country. Is that pretty much the administration's position?

Ms. BANE. That was the position of the Social Security Act when the program was put in place, and, yes, that is the administration's position.

Mr. FORD. For the past 20 years, and I am reading from a report from the Children's Defense Fund headed by Marion Wright Edelman, for the past 20 years we have been cutting AFDC. AFDC has declined from 1.5 percent of the Federal budget in 1979 to 1.1 percent in 1992. Social Security, by contrast, constitutes about 25 percent of the Federal budget. The value of AFDC declined from 47 percent since 1970 and the real value of AFDC benefits has declined between 13 and 67 percent in every State, because, unlike Social Security, payments to mothers and children are not raised automatically to keep pace with inflation. Is that pretty much correct?

Ms. BANE. Yes, sir.

Mr. FORD. We have seen that, and heard that welfare payments have been increasing and we could cut the deficit significantly by cutting AFDC and other aid programs without hurting the children. That is basically the myth that we have been working from. Can you comment on that?

Ms. BANE. I think you just pointed out what a small proportion of the Federal budget AFDC benefits actually are, so we certainly wouldn't want to make the argument that we could cut the deficit substantially by cutting AFDC benefits. They are quite a small proportion of the Federal budget.

Mr. FORD. It goes on and says: While the value of AFDC fell, poverty overall has increased more in U.S. children today than any time in the past 29 years as did the intensity of poverty. In 1993 it says 6.5 million children lived below half the Federal poverty level, and it goes below \$6,000 for a family of 3 up to 3.4 million



in 1979, and when children live in poverty, their risk of undernourishment, developmental problems, chronic accidents, and death increases significantly. A whole host of problems in our society exist when we see that there are more poor children and more poor people in this country than ever before. We are saying we are going to help reduce this Federal deficit, which we want to see happen, but I don't think we want to do it at the risk of endangering children even more so than they are today.

Is that pretty much the administration position as we look at the total picture of trying to make sure that there are certain sanctions for those, that maybe were described by the Governor of Michigan, that people who don't want to work that would put in alternatives and sanctions that would be necessary to make sure we put able-bodied people to work and make sure that both the father and the mother, that we don't single out and penalize mothers and children in this country, but we also go after all those who would have a responsibility here to lower the financial burden of the Federal Government?

Ms. BANE. Mr. Ford, I think we all would agree that the welfare of children would be well served by changes in the welfare system that would help their parents to work, that would make sure that both parents exercise parental responsibility. If we can make changes in the welfare system in those directions, that will benefit children over the long run. That is our goal, and I think that is your goal as well.

Mr. FORD. Thank you.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Welcome Dr. Bane. As a new Member of the Committee, I would like to ask your indulgence in helping me characterize the administration's plan as compared to the Republican reform plan. Under our bill, families would lose their AFDC benefit after 5 years. Do you agree with this provision?

Ms. BANE. Under the administration's proposal, cash benefits for AFDC recipients could be received only for 2 years before the recipient was required to work. The administration believes that the welfare system should help people get into work and help them get into work quickly, but we also believe that, in those circumstances where a welfare recipient is not able to find a private sector job, we have a responsibility to ensure that a work opportunity is available so that she can support her children.

Ms. DUNN. Do you support any kind of time limits in AFDC programs?

Ms. BANE. The administration proposal is quite clear that a 2-year limit on benefits is what we support, and that after 2 years—and before 2 years, when possible, because we think many people can move into work much more quickly—that AFDC recipients should be expected to work.

But we don't think you can say arbitrarily in all circumstances that a time limit ought to apply. We believe there will be circumstances where people caring for disabled children, for example, will be unable to work themselves. Under other circumstances, jobs simply are not available, and continued support in the form of a job might be appropriate.

Ms. DUNN. Are you aware that after 5 years an average family will have received in these benefits \$60,000?

Mr. ELLWOOD. I am certainly not aware of that. What we in fact find is that typically recipients move on and off welfare quite rapidly. Seventy percent leave within 2 years, 90 percent within 5. Often they end up coming back, however, and so part of what is going on is you have people who have gotten a job, lost a job, and come back.

I would just reiterate what Dr. Bane said, and that is we feel quite strongly that 2 years or less is the right number before people absolutely have to work. The question is what about when someone is unable to work? What happens to them then? What if they are caring for a disabled child? What if they are in an area where the economy is so bad that there really aren't jobs, then what happens?

Ms. DUNN. The point that I would like to make is that if the taxpayers knew that we were spending \$60,000 on an average family over a period of 5 years, they might believe it is important to have a cutoff date for the benefits.

It is the return to the welfare rolls that can be devastating. It may be that 90 percent do get off within the first 5 years, but it is their return that adds to the cost of the American taxpayer.

Mrs. KENNELLY. Will the gentlewoman yield?

Ms. DUNN. Yes.

Mrs. KENNELLY. Jennifer, how are you figuring out that \$60,000?

Ms. DUNN. The number that I am using comes from the "Green Book." It comes from the cost, which is about \$12,000 for a median State multiplied times five.

Mrs. KENNELLY. Total figure over 5 years?

Ms. DUNN. Yes.

Mrs. KENNELLY. OK.

Ms. DUNN. Dr. Bane, does the administration believe that taxpayers ought to guarantee on an entitlement basis cash, food stamps, and medical care? I will give you a couple of examples, and I would like to have a yes or no because my time is nearly up. A 15-year-old mother who gives birth to a child out of wedlock, yes or no?

Ms. BANE. I am sorry.

Ms. DUNN. The benefits in the form of cash and food stamps and medical care; would you award that to a 15-year-old mother who gives birth to a child out of wedlock?

Ms. BANE. Only if she was living at home, only if she was staying in school, and only if that money was needed for the care of the child.

Ms. DUNN. What about a mother of two children who has been on welfare for 8 years?

Ms. BANE. Only if she is working or cooperating in moving on to work, or perhaps caring for a disabled child.

Ms. DUNN. When you say cooperating in moving on to work, what do you mean?

Ms. BANE. In your example of someone who had been on welfare for that long a period of time, we would certainly expect that person to be working.

Ms. DUNN. So not in job training?

Ms. BANE. Under our proposal, it may be appropriate to provide job training, education, and other placement services for up to 2 years, but with very few exceptions.

Ms. DUNN. What about a 25-year-old man who has no physical impairments but he has a doctor's note claiming that his addiction to crack cocaine renders him incapable of work? Would you provide him those benefits?

Ms. BANE. Our proposal allows the States to require that person to participate in drug rehabilitation programs. We believe that would be appropriate, and benefits would be appropriately conditioned on full cooperation with those programs.

Ms. DUNN. Thank you.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman. Dr. Bane, accountability is used here, that word, and everybody wants to have accountability of who receives the welfare from the taxpayers, and people are very, very discouraged. They have had it with the present welfare system.

And yet accountability is something that we live by. We run every 2 years and I had to have accountability when we did the Social Security changes in 1983, they are still asking about that, the 1986 tax reform, the 1993 budget bill. I think our role, some of us in the minority, is to make sure that we see what is ahead so that when we go home and they say what happened, we say we did welfare reform. They say how come our quality of life has disintegrated. We have to look at some things such as children who have real problems because of that reform. Could you expand on what would happen when a State is in recession or when recession hits when there is no individual entitlement?

Ms. BANE. That is what I worry about, Mrs. Kennelly. I was thinking, as the Governors testified this morning, when I was Commissioner in New York, I visited a town in western New York in which the local factory, I think it was a typewriter factory, had just closed. There were people in the welfare office having to apply for AFDC and food stamps who had never imagined themselves in that situation. They were there because they had to, because of the effect of the plant closing. The church's resources were strained. The charities' resources were strained. Local government resources were strained. Their own families' resources were strained. So I worry that if we set those strict spending caps in the form of a block grant or a discretionary grant that those are the people who are going to be hurt.

Mrs. KENNELLY. Thank you, Dr. Bane. Governor Engler talked about, and we are all looking for, solutions to our State problems. He said that he was able in a matter of 2 years, I think he said, to see \$100 million collection in welfare changes. Have you got any insight, and we didn't get a chance to ask how that happened—do you have any insight as to how he brought about this change so successfully?

Ms. BANE. We haven't got a clear indication of the data. One of the things we welfare bureaucrats do when we grant the waivers is ensure that there is, in fact, a good evaluation and a very careful accounting including a comparison with a control group of what the costs are and what benefits are actually being achieved. We only

have preliminary data, so I really can't comment on how those savings estimates will hold up.

We do know that one of the proposals in Governor Engler's plan was for the welfare department to make special efforts to move children from the AFDC Program onto the SSI Program. We do know that some of the savings to the State have come because of that transfer to the Federal Government.

Mrs. KENNELLY. So if you take a person off AFDC, which is a Federal program, and put him on SSI, which is a Federal program, that is an accounting plus for the State?

Ms. BANE. It is because the AFDC Program is paid for in Michigan, as it is in New York, about half by the State and half by the Federal Government, whereas the SSI Program is paid for 100 percent by the Federal Government. I did see that in New York when I was Commissioner too.

Mrs. KENNELLY. The Governor was not too complimentary about bureaucrats looking at waivers. I think he will be thrilled to hear you and he share that, though I see it as kind of a transfer that I think is counted as a plus. The Governor was very critical about bureaucrats and waivers.

Could you quickly defend yourself on why waivers possibly could be a safeguard or what are you doing that he feels is not being done correctly?

Ms. BANE. I wish we could do them faster too. We are not waiving our own creative rules and regulations, but laws that have been passed by Congress and made part of the Social Security Act partly because, as Mr. Nussle commented, there are things that go wrong. There are things that need to be solved, and we have built regulations around them.

So, in working with the States on waivers, we have to work through how they are going to solve these problems. We also work with them on an evaluation plan so that we can learn from what we do and work with them to try to avoid legal challenges to their demonstrations.

Mrs. KENNELLY. I want to commend your administration for really moving on waivers. I remember trying to get one for Connecticut some years ago and it was impossible. So I salute you, that since that was your charge, you did move it.

Thank you, doctor.

Chairman SHAW. Mr. Levin will inquire.

Mr. LEVIN. Thank you. Let me ask you to draw on your experience. I found the testimony earlier to be very revealing. I think it is really kind of a call for not reform, but revolution. A total devolution of authority to the States in this area. Governor Engler used the image of a car, I guess we come from Michigan and we tend to use such an image, and he suggested the Federal Government should get in the back seat, and I think I favor that, and put the States in the front seat.

But I think toward the end he really suggested that the Federal Government should be out of the car altogether except for providing the gasoline. So in a way it is total devolution, and I think it is a call in this area and in food and nutrition to kind of go back to the Articles of Confederation.

So let me ask you this—why not? What is the national interest in these families, in these children?

Ms. BANE. As I outlined in my testimony, I think we all do have some national objectives for welfare reform. We need to provide national leadership to ensure and to prod all the States to meet these objectives having to do with work, with parental responsibility, with protecting children.

We also have to recognize that we do live in a Nation where there is a lot of movement from one State to another, and where there needs to be some national clearinghouses, national interchanges, for example, to make sure that there is not fraud across States, to make sure that we can collect child support across States, to make sure that when people go from one State to another, they don't get a completely different set of treatments.

Also, we need to keep in mind that there are economic cycles. They do affect States differently over time, and some States are much worse off than others, not only at a given point in time, but as their economies change, and I think that we as a Nation do have a responsibility to help the States and to help the citizens of those States in those very troubled times.

Mr. LEVIN. Thank you.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman, and we thank you for the contribution that you are making here. Maybe since you have studied this Contract With America more than I have, are there any provisions that States have to maintain the contributions that they are making toward AFDC as you understand it?

Ms. BANE. As I understand the Contract With America that was submitted at the beginning of the session, the maintenance of effort provisions were not repealed. I don't know what is being discussed now with respect to block grants. As I understand it, there is thought of not continuing those maintenance of effort provisions.

Mr. RANGEL. So that is one of the things that we have to look for because we may be kicked out of the car, but the people may not even put the gas in on the State level.

Second, as you understand the Contract With America, do we guarantee that we will increase the Federal funds to reflect need, or are we out of it just with the block grant?

Ms. BANE. Again, as I read the Contract, and obviously other people are better able to state this, one crucial piece of it, which is part of the original bill and of the new discussions is, to make the welfare programs discretionary programs subject to annual appropriations. As I understand it, the Congress would have to choose each and every year in the context of the overall Federal budget how much money would be available for these programs.

Mr. RANGEL. That means that the welfare cases then would have to compete against other budget priorities in the Congress?

Ms. BANE. That is how I read that proposal, yes, sir.

Mr. RANGEL. Well, we are very concerned about how you read it, because you are the expert now. I want to make certain that there is nothing here that guarantees the States or the people that the Congress is going to maintain the Contract. It will just go to the authorizing and the appropriation committees like any other discretionary program.

Ms. BANE. That is correct, Mr. Rangel, and I believe that not only the AFDC Program and the Food Stamp Program come under the discretionary cap, but also the SSI Program for elderly and disabled poor citizens.

Mr. RANGEL. And once the Congress decides what the cap is going to be, then that goes to the State and, no matter what happens with their economy, they are on their own as to if things get worse. If there are more poor folks, they just have to figure out what to do themselves?

Ms. BANE. That is correct. With the SSI Program, if the money ran out, we at the Federal level would have to figure out what to do, whether to stop sending checks to elderly and disabled citizens.

Mr. RANGEL. If indeed there were an economic depression going on in the States and there were no jobs available, under the Contract, the Governor can proclaim not only are there no jobs available, but that they are also laying off public servants, and there is a recession—after 2 years without a job or one not being available, this person could possibly not receive any funds from the State under the Contract?

Ms. BANE. As I understand the Contract legislation, States would have the option of cutting people off after 2 years and would have to cut people off after 5 years, regardless of whether jobs were available.

Mr. RANGEL. If this 15-year-old girl became pregnant and the father of the child was killed in the streets, and she was put out by her mother and father, who had family values and rejected her, under the Contract, the child that is to be born would not be entitled to anything under the Republican Contract; is that true?

Ms. BANE. That is how I read that provision. If the mother was not married at the time the child was born and she was a teenager, that child would not be entitled to benefits for the whole 18 years.

Mr. RANGEL. Even if the father of the child died defending someone's honor in the street, the fact that he didn't marry the mother, the child would not be entitled to any assistance under the Contract With America?

Ms. BANE. That is how I would read the provision, yes.

Mr. RANGEL. Thank you so much.

Chairman SHAW. Dr. Bane, I would suggest that you go back and read that portion of the bill again because what we have talked about is cash benefits. There is leeway for the States to provide other services. Quite frankly, and one of our witnesses made a point of this, I know that the administration is suggesting greater restrictions on teenage moms than presently exists under present law. I think you would agree that present law is totally unsatisfactory in giving a 15-year-old a check or a cash benefit without substantial restrictions. Don't you agree with that?

Ms. BANE. We agree that there should be requirements on teen mothers to live at home, to stay in school, and to exercise parental responsibility.

Mr. RANGEL. Mr. Chairman—

Chairman SHAW. I yield to the gentleman.

Mr. RANGEL. I thought that you would not agree that what I said was correct. I merely did it to show that this is going to be a wide area for us to be cooperating with you. Some of the things in the

so-called Contract are not understood and the quicker we can understand exceptions to the rule—because, as you said and as the administration has said, we don't believe we should encourage a 15-year-old to look forward to a check so they can set up a household just for being irresponsible. So the quicker we can get answers to these questions the closer we can reach the objective that both of us want, and that is to reform the system as we know it.

Chairman SHAW. One of our witnesses yesterday described the cash benefit directly to a 15-year-old as federally funded child abuse, and I thought that was quite good. She made the remark that you wouldn't entrust your dog to some of these kids that are having kids and the fact that they are setting up separate households and receiving cash benefits is absolutely outrageous.

We will look forward to working with the administration and with all Members on the Committee in putting together a package in which we can discourage teenage pregnancy, but we are not going to forget the babies that are brought into this world through no fault of their own.

If there are no other questioners, Dr. Bane, Dr. Ellwood, it is always a pleasure to have you with us and we look forward to working with you in the months ahead.

Ms. BANE. Thank you.

Chairman SHAW. We have a very distinguished final panel, with Robert Rector, who is a senior policy analyst with the Heritage Foundation; Michael Horowitz, who is a senior fellow with the Hudson Institute, Washington, DC; Marvin Olasky, professor of the department of journalism at the University of Texas in Austin; and Robert Greenstein, the executive director for the Center on Budget and Policy Priorities in Washington, DC.

I would ask that each of the panelists confine your remarks to 5 minutes, and that would give the Members ample opportunity to inquire and ask you questions in order to expand your testimony. Your written testimony is a part of the record and as soon as the room quiets down, I will ask Mr. Rector to proceed.

Mr. Rector, please proceed.

#### **STATEMENT OF ROBERT RECTOR, SENIOR POLICY ANALYST, HERITAGE FOUNDATION**

Mr. RECTOR. Thank you, Chairman Shaw. I appreciate this opportunity to come before the Subcommittee. Let me begin by saying that 30 years ago in launching the war on poverty, Lyndon Johnson told us that this was to be an investment which would return its cost to the taxpayer manyfold.

What I would like to discuss today in my testimony is exactly how much we have invested in this effort and what is the payoff or the dividend that we have received for this investment. I am going to talk about the total cost of the war on poverty, the total cost of the current welfare state, and by the welfare state, I mean means-tested programs for low-income and poor Americans: Cash, food, housing, medical care, and social services targeted to the poor. This is what we basically launched into, a comprehensive welfare system in 1964.

There are over 75 major Federal means-tested programs. When you talk about the small ones, over 300 programs. The total spend-

ing by Federal and State combined on the 75-plus major programs in 1994 was \$350 billion, over 5 percent of the GDP. If we look at the chart which I have provided here, we can see what we have invested in the past. Back in 1964 when the war on poverty began, we were spending 1 percent of the gross domestic product on welfare. Today that spending has risen to over 5 percent.

After adjusting for inflation, welfare spending has gone from \$40 billion a year to \$340 billion a year, a ninefold increase since 1964. Total spending from 1964 to the present time, adjusted for inflation, is \$5.3 trillion. That cost after adjusting for inflation is greater than the cost of defeating Germany and Japan in World War II by a considerable margin. But in World War II we won. In the war on poverty, poverty won.

Let's look at the consequences of this \$5.3 trillion investment we have made in programs for the poor. The most striking consequences are shown on the chart in the black line. The black line represents the percentage of the American population that was poor. What we see on the chart is that starting at the high point in 1950, about a third of the population was poor. The red line charts constant dollar welfare spending. During the fifties the spending is at the bottom of the chart. You can barely see it. But during the fifties and early sixties, the poverty rates plummeted, falling about 1 percentage point a year.

Poverty fell from 30 to 15 percent of the population while welfare spending remained at a tiny level. Then something happens. In 1965 the spending takes off and begins to explode. But the poverty rate stops falling. It kinks over and basically remains unchanged for the next 30 years, bumping up and down a little bit. It is higher today than it was in the midsixties when the war on poverty began.

So despite \$5.3 trillion, we not only didn't reduce poverty, we brought to a standstill the natural progress against poverty that was occurring before the war on poverty began. Similarly in the same period, the illegitimate birth rate rose from around 5 percent to close to 33 percent, the crime rate quadrupled, and on and on. In almost every social indicator, our society became worse as a result of this spending.

I would like during the question and answer period to go further into addressing that. The second chart shows the CBO projections of the spending on these 75 means-tested programs in the future. Today we are spending about \$340 billion, 5 percent of GDP. If we continue on our current course, by 1999 that spending will increase by over 60 percent to \$550 billion, spending will rise from its current level of 5 percent of GDP to 6 percent of GDP.

Frankly, under the current system, there is no light at the end of the tunnel. I would ask you to ask any of the witnesses from the administration at what point in time they could ever conceive that this spending would begin to go down or even that the spending would not rise as a percentage of GDP. We are locked into a course of inevitable spending increases and inevitable increases in dependency, and I hope that in the question and answer period, I will be able to go into certain ways that we cannot only help the poor, but also bring this fantastic explosion of spending under control.

I thank you.

[The prepared statement and attachments follow:]



Testimony before  
The Sub-Committee on Human Resources  
Committee on Ways and Means  
U.S. House of Representatives  
January 13, 1994

Robert Rector  
The Heritage Foundation  
(202-546-4400)

## THE GROWTH OF THE WELFARE STATE

### Introduction

The total annual cost of U.S. welfare spending now exceeds \$324 billion; this amounts to more than \$3,400 for each taxpaying household in the U.S. After adjusting for inflation, welfare spending is now 9 times greater than when Lyndon Johnson launched the War on Poverty in the mid-sixties.

As in the current welfare reform debate, each prior expansion of the welfare system has been rationalized as an "investment" which would save money in the long run. But these "investments" have led only to higher spending and escalating social problems.

Since the onset of the War on Poverty, the U.S. has spent over \$5.3 trillion on welfare. But during the same period, the official poverty rate has remained virtually unchanged; dependency has soared; the family has collapsed and illegitimacy has skyrocketed. And crime has escalated in direct proportion to the growth in welfare spending.

U.S. society can no longer tolerate open-ended growth in destructive welfare spending. A key goal of any serious welfare reform must be to limit the future growth of welfare spending.

### Defining the U.S. Welfare System

The federal government currently runs over 75 interrelated and overlapping welfare programs. Many states operate independent state programs in addition to the federal programs. (A list of major welfare programs is attached.) The welfare system may be defined as the total set of government programs explicitly designed to assist poor and low income Americans. Welfare assistance has three ostensible objectives:

- 1) Sustaining Living Standards Through Cash and Non-Cash Transfers. Federal and state governments provide cash aid, food, housing and medical assistance. These programs are intended to directly raise an individual's material standard of living. Such aid directly substitutes for the private sector income which the welfare recipient is presumed to be incapable of earning for him or herself.
- 2) Promoting Self-Sufficiency. A smaller number of government programs are intended to increase the cognitive abilities, earnings capacity and living skills of lower income persons. Typical programs in this category would include government job training programs for low skilled individuals or special education programs targeted at disadvantaged persons.
- 3) Aiding economically distressed communities. The federal government also provides aid to governments in low income or economically distressed areas. The nominal intent of this aid is to broaden the economic opportunities within the community and thereby indirectly to benefit low-income persons who live

there.

### Targeted, Categorical, and Means-Tested Programs

An additional criterion for defining the welfare state is that welfare programs are individually means-tested, community targeted, or categorical. Community targeted programs provide assistance to communities which either have a high percentage of poor and low income persons or are "economically distressed". Categorical welfare programs provide aid to specific disadvantaged or needy groups such as migrant farm workers, homeless persons, or abandoned children.<sup>1</sup>

"Individually means-tested" programs also provide aid directly to low income and poor persons. A wide variety of government programs such as cash, food, housing and medical care can be "means-tested". Roughly 95 percent of total welfare spending takes the form of means-tested aid directly to individuals. Means-tested programs restrict eligibility for benefits to persons who have "means" (i.e. non-welfare income) below a certain level. Individuals who have non-welfare income above a specified cut off level cannot receive aid. Thus, Food Stamps and public housing are "means-tested" programs, because benefits are limited to lower income persons. By contrast, Social Security and public schools are not "means-tested".<sup>2</sup>

### Total Welfare Spending

Total federal and state spending on welfare programs was \$324.3 billion in FY 1993. Of the total, \$234.3 billion or 72% comes from federal funding and \$90 billion or 28% comes from state or local funds. But these figures significantly understate the role of the federal government in welfare. Many federal welfare programs require a state government contribution; in order for individuals within a state to receive aid from these federal programs, the state government must match or pay a certain share of federal spending in the state on that program. Out of the total of \$90 billion in state and local welfare spending described in this paper fully \$78.6 billion takes the form of state and local contributions to federally created welfare programs. Of total welfare spending of \$324 billion, only \$11.4 billion or 3.5% is spending for independent state welfare programs.<sup>3</sup>

### Categories of Welfare Spending

As noted, the welfare system theoretically is designed to promote three proclaimed goals: to prop up material living standards; to promote self-sufficiency; and to expand economic opportunities within low-income communities. Federal and state governments operate a variety of welfare programs to meet these goals. Such programs include: cash aid programs; food programs; medical aid programs; housing aid programs; energy aid programs; jobs and training programs; targeted and means-tested education programs; social service programs; and urban and community development programs.

**Cash Aid** The federal government operates eight major means-tested cash assistance programs. Many state governments also operate independent cash programs termed General Assistance or General Relief. Total cash welfare spending by federal

<sup>1</sup> Although a categorical program will not have formal financial means-test (as described in the main text), the nature of the group served as well as the method of operating the program will result in the bulk of assistance going to low income persons.

<sup>2</sup> Some programs such as Guaranteed Student Loans are formally means-tested but the means-test or income cut off is so high that the program benefits mainly the middle class. Despite the means-test, such programs should not be considered part of the welfare system, and have not been included in the programs listed or spending totals calculated for this paper.

<sup>3</sup> Comprehensive figures on independent state and local welfare spending are difficult to obtain. It is possible that there is as much as \$10 to \$15 billion dollars in independent state and local welfare spending which is not included in this report. However, even if this extra state and local spending were included in the spending totals, the welfare system would still be overwhelmingly federal in structure.

and state governments reached \$71.5 billion in FY 1993.

**Food Aid** The federal government provides 11 major programs providing food assistance to low income persons. Total food aid to low income persons equalled \$36 billion in FY 1993.

**Housing Aid** The federal government runs 14 major housing programs for low income persons. Many state governments also operate independent state public housing programs. Total housing aid for low income persons equalled \$23.5 billion in FY 1993.

**Medical Aid** The federal government runs 8 medical programs for low income persons. Many states operate independent medical General Assistance programs. Total medical aid equalled \$155.8 billion in FY 1993.<sup>4</sup>

**Energy Aid** The federal government operates 2 programs to help pay the energy bills or to insulate the homes of persons with low incomes. Total spending equalled \$1.6 billion in FY 1993.

**Education Aid** The federal government runs 9 programs providing educational assistance to low income persons, disadvantaged minorities, or low-income communities. Total spending equalled \$17.3 billion in FY 1993.

**Training and Jobs Programs** The federal government currently operates 9 different jobs and training programs for low income persons, costing \$5.3 billion in FY 1993.

**Targeted and Means-Tested Social Services** The federal government also runs 11 programs providing special social services to low income persons. These programs cost \$8.4 billion in FY 1993.

**Urban and Community Aid Programs** The federal government runs 5 programs to aid economically distressed communities. These programs cost \$4.8 billion in FY 1993.

### The Growth of the Welfare State

The welfare state, after remaining at low levels through the 1950's and early 1960's, has undergone explosive growth since the onset of the War on Poverty. In inflation adjusted terms, welfare spending has grown in every year except one since the mid-sixties.

- \* In constant dollars, federal, state and local governments now spend 9 times as much on welfare as in 1964 when the War on Poverty was beginning. Welfare spending per capita in constant dollars is seven times as high as in 1964.
- \* After adjusting for inflation, welfare spending per capita today is five times as high as during the Great Depression when a quarter of the work force was unemployed.
- \* Welfare spending is absorbing an ever greater share of the national economy. In 1964, welfare spending equalled 1.23 percent of Gross Domestic Product. By 1993, spending had risen to 5.1 percent of GDP; This was a record high, exceeding the previous peak set during the Great Depression.
- \* Welfare spending in FY 1991, FY 1992, FY 1993 exceeded defense spending for the first time since the 1930's.

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<sup>4</sup> This figure includes the share of Medicare which goes to persons with incomes below the poverty level at a total cost of \$15.5 billion. These funds largely represent the "Medicaid buy into Medicare" by which the Medicaid system pays the premiums for poor persons to enable them to enroll in and receive benefits from Medicare.

\* There are repeated claims that Ronald Reagan "slashed" welfare spending. In reality, welfare spending grew during the 1980's, after adjusting for inflation. In 1993, per capita welfare spending in constant dollars was 43 percent higher than when President Reagan took office in 1980.

\* Contrary to some claims, the growth in welfare spending has not been limited to medical aid. In constant dollars, per capita cash, food and housing aid is now 31 percent higher than in 1980 and 4.6 times higher than in 1964.

### The Total Cost of the War on Poverty

The financial cost of the War on Poverty has been enormous. Between 1964 and 1994, welfare spending has cost the taxpayers \$5.3 trillion in constant 1993 dollars. This amount is greater than the cost of defeating Germany and Japan in World War II, after adjusting for inflation. Out of total welfare spending of \$5.3 trillion, cash welfare programs cost \$1.3 trillion. Medical programs assisting low income persons have cost \$2.1 trillion. Spending on food programs equalled \$602 billion, while housing and energy aid programs for low income persons have cost \$490 billion. Special education programs for low income children have cost \$319 billion, and jobs and training programs have cost \$215 billion. An additional \$230 billion was spent on special social services for the poor, and \$172 billion has been spent on development aid for low income communities.

### Projected Growth of Welfare Spending

The notion that the U.S. would spend \$5.3 trillion on the War on Poverty would have dumbfounded most members of Lyndon Johnson's White House. In launching the War on Poverty, President Johnson did not promise an open-ended expansion to the welfare state. Instead, he spoke of a temporary investment which would help the poor to become self-sufficient and climb into mainstream society. But the growth of the welfare state has been unending and relentless.

Moreover, there is not even the faintest glimmer of "light at the end of the tunnel" for the end of the War on Poverty. According to the Congressional Budget Office, total annual welfare spending will rise to \$538 billion and 6 percent of GDP by 1999. By that year, the U.S. will be spending more than two dollars on welfare for each dollar spent on national defense.

While a major portion of the projected growth of welfare spending is for medical services, other programs will show steady growth as well. For example, spending on cash, food, and housing programs are projected to grow by over a third during the next five years.

### The Social Costs of the War on Poverty

Despite this massive spending, in many respects the fate of lower income Americans has become worse, not better, in the last quarter century. Today, one child in seven is being raised on welfare through the AFDC program. When the War on Poverty began, roughly one black child in four in the U.S. was born out of wedlock. Today, two out of three black children are born out of wedlock. Rapid increases in illegitimacy are occurring among low income whites as well; the illegitimate birth rate among low income white high school dropouts is 48 percent. Overall, nearly a third of children in the U.S. are now born to single mothers.

In welfare, as in most other things, you get what you pay for. For thirty years the welfare system has paid for non-work and non-marriage and has achieved massive increases in both. By undermining the work ethic and rewarding illegitimacy, the welfare system insidiously generates its own clientele. The more that is spent the more people in apparent need of aid appear. The government is trapped in a vicious cycle in which spending

generates illegitimacy and dependency which in turn generates demands for even greater spending.

### **Reforming Welfare**

Any fair observer would note that no matter how frequently policy makers "end welfare," the costs continue to rise. Welfare absorbed around 1.2 percent of GDP when Lyndon Johnson launched the War on Poverty in 1964; it had risen to over 5 percent by 1992. With a \$324 billion price tag, welfare spending now amounts to roughly \$8,500 for each poor person in the U.S. Worse, Congressional Budget Office figures show total welfare costs rising to a half trillion dollars, about 6 percent of GDP, by 1998.<sup>5</sup>

The long history of bogus welfare reforms, all of which were promised to save money but did not, leads one to one obvious conclusion. The only way to limit the growth of welfare spending is to do just that: limit the growth of welfare spending. The welfare system must be put on a diet.

Welfare entitlements should be ended. Most separate federal non-medical welfare programs should be eliminated and the funds should be pooled into a single welfare block grant to the states. The future growth of federal non-medical means-tested welfare spending should then be capped at 3 percent per annum. Comprehensive reform along these lines is provided in: "The Welfare Reform Act of 1994" (S.2134) introduced by Senators Lauch Faircloth, Charles Grassley and Hank Brown and the companion bill H.R. 4566 introduced by Jim Talent, Tim Hutchinson and Charles Canady in the House of Representatives.

Similarly the entitlement nature of Medicaid should be eliminated. Medicaid and other means-tested medical programs should be converted into a single medical block grant for the states which would increase at the rate of medical inflation.

By slowing the outpouring from the federal welfare spigot, such a welfare spending limit would gradually reduce the subsidization of dysfunctional behavior: dependency, non-work, and illegitimacy. The spending controls would send a warning signal to state welfare bureaucracies. Cushioned by a steady and increasing flow of federal funds in the past, most bureaucracies have found no need to grapple with the tough and controversial policies needed to really reduce illegitimacy and dependency. With a cap on the growth of future federal funds, state governments would, for the first time, be forced to adopt innovative and aggressive policies that would reduce the welfare rolls.

While such a block grant approach would give the state governments infinitely more flexibility than the current system, we should not have a system of "zero responsibility block grants". The use of the block grant funds must be governed by a few basic moral principles established at the federal level. These principles should include:

- 1) Limit federal subsidies for future illegitimate births. Insist that federal funds no longer be used to provide direct cash, food, and housing subsidies to women under 21 who in the future have children out-of-wedlock. States who believe it is wise to continue the current system of direct welfare benefits to subsidize illegitimacy in the future could do so with their own state funds, but they could no longer use federal

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<sup>5</sup> These figures represent estimated federal, state and local spending on means-tested welfare programs and aid to economically disadvantaged communities. The Congressional Budget Office estimates only future federal spending. Future state and local spending figures were estimated separately by assuming that the ratio of federal spending to state and local spending on specific programs would remain unchanged. This is a reasonable assumption since the required state contribution to most federal welfare programs is legislatively established at a fixed percentage of federal spending on that program. These percentages change little over time.

money for that purpose.<sup>6</sup>

2) Provide an improved quality of life for those children who will continue to be born out-of-wedlock in the future by channeling those federal welfare funds which, under the current system, go directly to unwed mothers, into alternative and superior forms of care, such as: adoption services and closely supervised group homes for young unmarried women and their children.

3) Insist that in the future mothers who receive federally funded welfare benefits must establish the paternity of their children.

4) Insist that federal funds not be used to provide automatic increases in welfare benefits to women who give birth to additional children while already receiving welfare.

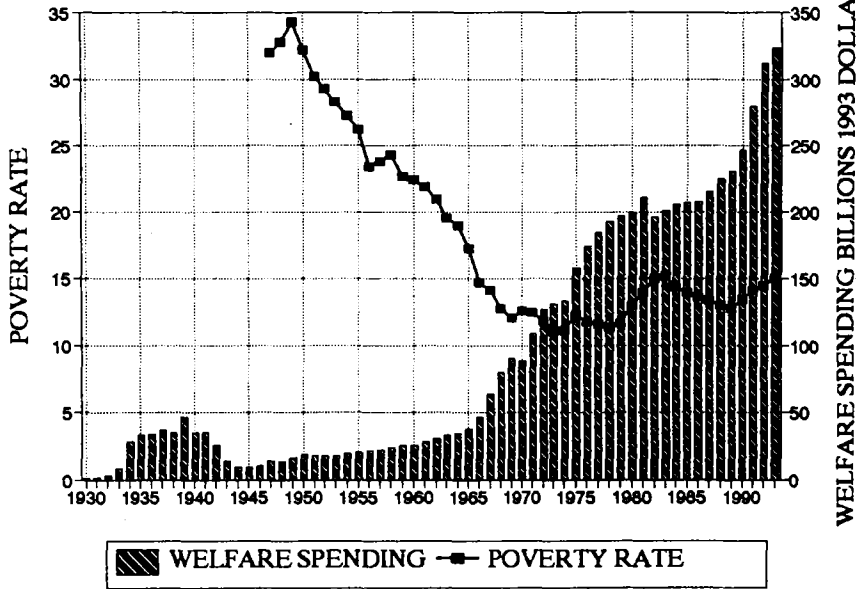
5) Insist on serious but sensible work requirements for welfare recipients receiving federally funded aid, focusing those requirements on the most employable welfare recipients first (such as single able-bodied males and fathers in two parents families), rather than on single mothers with infant children.

This is not "conservative micro-management". Under the system I am proposing, hundreds of separate federal welfare programs would be pooled into a single block grant thereby rescinding tens of thousands of pages of current federal regulation. These regulations should be replaced by 10 or 20 pages of simple federal principles which would insure that federal welfare funds were used to promote marriage rather than illegitimacy and work rather than dependency.

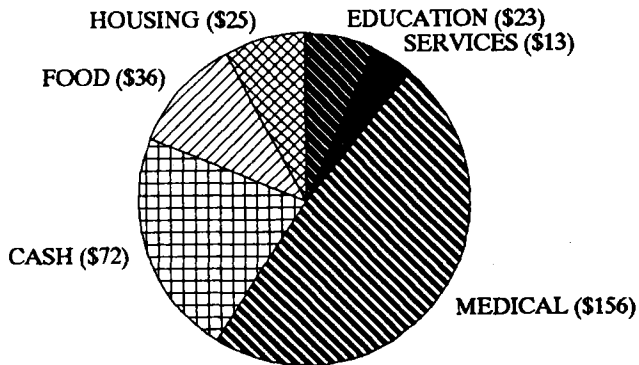
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<sup>6</sup> This limitation should apply only to women who have children one year after the enactment of reform legislation, not to those who have already had children out of wedlock.

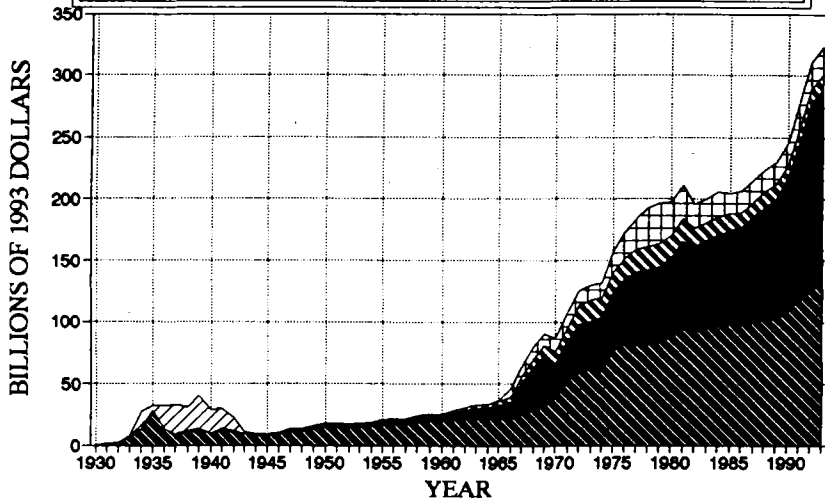
# THE POVERTY PARADOX RELATION OF WELFARE SPENDING TO POVERTY



## THE 1993 WELFARE STATE SPENDING IN BILLIONS

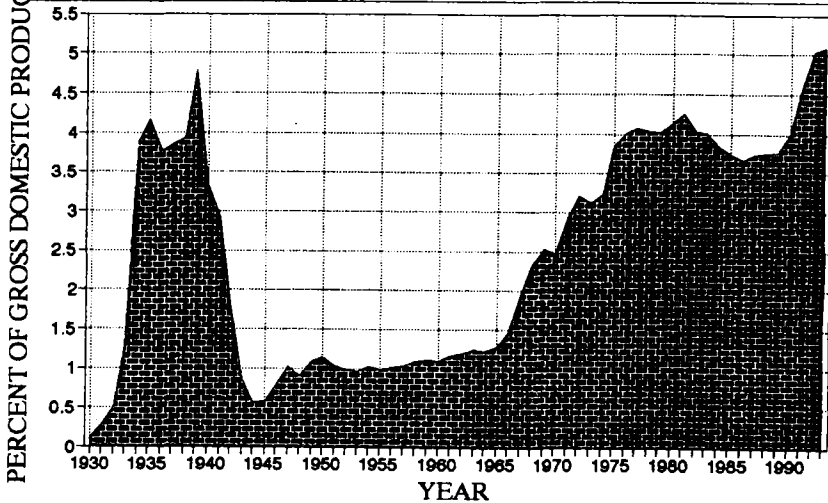


### WELFARE SPENDING BY PROGRAM TYPE FEDERAL STATE AND LOCAL



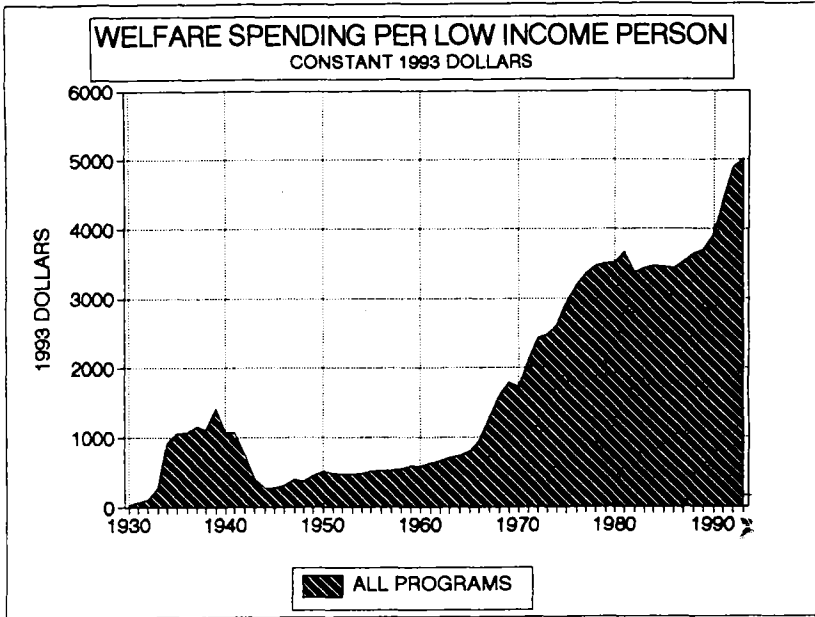
CASH FOOD HOUSING    MEDICAL AID    EDUCATION & TRAINING  
 SERVICES & URBAN AID    WORK RELIEF

### TOTAL WELFARE SPENDING AS SHARE OF GDP FEDERAL STATE AND LOCAL SPENDING

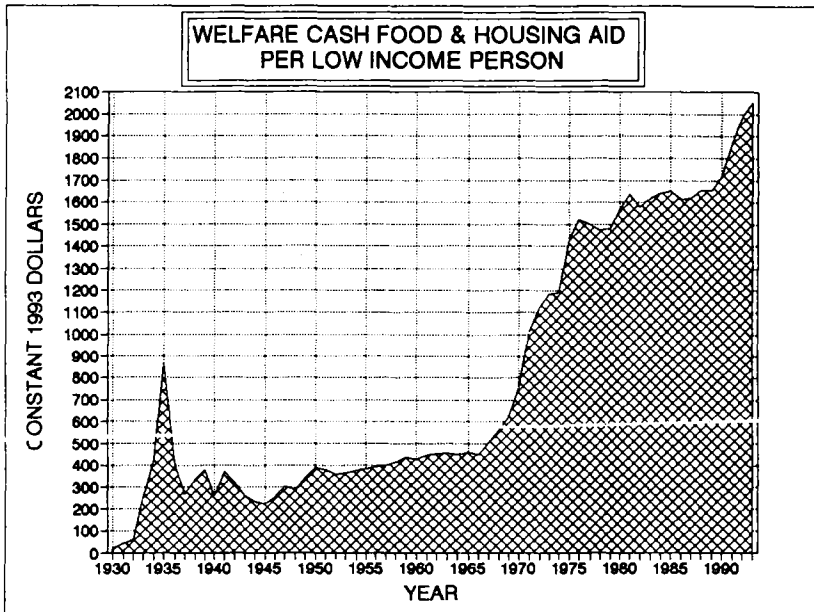


ALL PROGRAMS

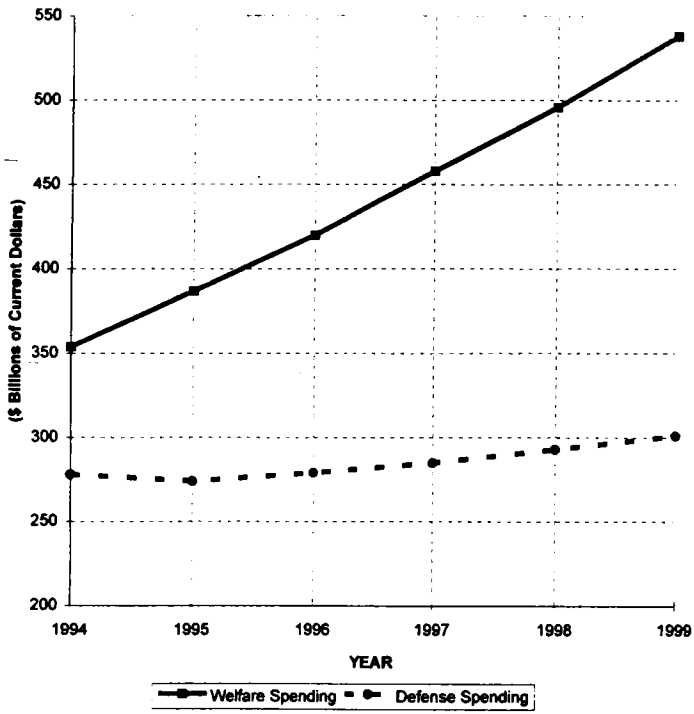




Low-income persons means the least affluent one-quarter of the U. S. population.



Low-income persons means the least affluent one-quarter of the U. S. population.

**PROJECTIONS OF DEFENSE AND WELFARE SPENDING**

## THE U.S. WELFARE SYSTEM

### MEANS-TESTED ASSISTANCE PROGRAMS AND AID TO ECONOMICALLY DISTRESSED COMMUNITIES

#### CASH AID

CASH 01) Aid to Families with Dependent Children

Budget Account Number: 75-1501-0-1-609

FY 1993: federal \$13,767.2 million state \$11,426.8 million

CASH 02) Supplemental Security Income

Budget Account Number: 75-0406-0-1-609

FY 1993: federal \$22,642 million state \$3,300 million

CASH 03) General Assistance: Cash

Budget Account Number: none

FY 1993: state \$3,340 million (estimate)

CASH 04) Earned Income Tax Credit

Budget Account Number: 20-0906-0-1-609

FY 1993: federal \$13,663 million

CASH 05) Foster Care: Title IV E

Budget Account Number: 75-1545-1-1-506

FY 1993: federal \$2,532.4 million state \$1,779.352 million

CASH 06) Assistance to Refugees and Cuban/Haitian Entrants

Budget Account Number: 75-1503-0-1-609

FY 1993: federal \$65.122 million

CASH 07) Emergency Assistance to Needy Families with Children

Budget Account Number: 75-1501-0-1-609

FY 1993: federal \$202.19 million state \$202.19 million

CASH 08) Adoption Assistance

Budget Account Number: 75-1545-1-1-506

FY 1993: federal \$273.382 million state \$155.828 million

CASH 09) General Assistance to Indians

Budget Account Number: 14-2100-0-1-452

FY 1993: federal \$106.114 million

#### MEDICAL AID

MEDICAL 01) Medicaid

Budget Account Number: 75-0512-0-1-551

FY 1993: federal \$75,744 million state \$56,051 million

MEDICAL 02) General Assistance: Medical Care

Budget Account Number: none

FY 1993: state \$5,204 million (estimate)

MEDICAL 03) Indian Health Services

Budget Account Number: 75-0390-0-1-551

FY 1993: federal \$1,495.454 million

MEDICAL 04) Maternal and Child Health Services Block Grant

Budget Account Number: 75-0350-0-1-550

FY 1993: federal \$664.530 million state \$423.6 million

MEDICAL 05) Community Health Centers

Budget Account Number: 75-0350-0-1-550

FY 1993: federal \$558.808 million

MEDICAL 06) Medical Assistance to Refugees and Cuban/Haitian Entrants

Budget Account Number: 75-1503-0-1-609

FY 1993: federal \$98.043 million

**MEDICAL 07) Migrant Health Services**  
 Budget Account Number: 75-0350-0-1-550  
 FY 1993: federal \$57.306 million

**MEDICAL 08) Medicare for Persons with Incomes Below the Federal Poverty Threshold**  
 Budget Account Number: None  
 FY 1993: federal \$15,516.800 million

#### **FOOD AID**

**FOOD 01) Food Stamps**  
 Budget Account Number: 12-3505-0-1-605  
 FY 1993: federal \$23,577 million state \$1,628 million

**FOOD 02) School Lunch Program**  
 Budget Account Number: 12-3539-0-1-605  
 FY 1993: federal \$4,670.9 million

**FOOD 03) Special Supplemental Food Program for Women, Infants, and Children (WIC)**  
 Budget Account Number: 12-3510-0-1-605  
 FY 1993: federal \$2,846.5 million

**FOOD 04) The Emergency Food Assistance Program**  
 Budget Account Number: 12-3635-0-1-351  
 FY 1993: federal \$163.4 million

**FOOD 05) Nutrition Program for the Elderly**  
 Budget Account Number: 12-3503-0-1-351  
 FY 1993: federal \$573.939 million state \$65.007 million

**FOOD 06) School Breakfast Program**  
 Budget Account Number: 12-3539-0-1-605  
 FY 1993: federal \$866.0 million

**FOOD 07) Child and Adult Care Food Program (Means-Tested and Low-Income Component)**  
 Budget Account Number: 12-3539-0-1-605  
 FY 1993: federal \$1,225.704 million

**FOOD 08) Summer Food Service Program for Children**  
 Budget Account Number: 12-3539-0-1-605  
 FY 1993: federal \$210.4 million

**FOOD 09) Needy Families Food Distribution Program (Commodity Food Distribution Program on Indian Reservations in Lieu of Food Stamps)**  
 Budget Account Number: 12-3503-0-1-605  
 FY 1993: federal \$61.968 million

**FOOD 10) Commodity Supplemental Food Program (CSFP) for Mothers, Children, and Elderly Persons**  
 Budget Account Number: 12-3512-0-1-605  
 FY 1993: federal \$110.58 million

**FOOD 11) Special Milk Program (Free Segment)**  
 Budget Account Number: 12-3502-0-1-605  
 FY 1993: federal \$1.44 million

#### **HOUSING AID**

**HOUSING 01) Section 8 Lower-Income Housing Assistance**  
 Budget Account Number: 86-0164-0-1-604; 86-0194-0-1-604  
 FY 1993: federal \$13,288 million

**HOUSING 02) Low-Rent Public Housing**  
 Budget Account Number: 86-0163-0-1-604; 86-0164-0-1-604  
 FY 1993: federal \$3,726.8 million

**HOUSING 03) Section 502 Rural Housing Loans for Low-Income Families**  
 Budget Account Number: 12-2081-0-1-371  
 FY 1993: federal \$1,842.989 million

**HOUSING 04) Section 236 Interest Reduction Payments**  
 Budget Account Number: 86-0148-0-1-604  
 FY 1993: federal \$634.744 million

HOUSING 05) Section 515 Rural Rental Housing Loans  
 Budget Account Number: 12-2081-0-1-371  
 FY 1993: federal \$573.857 million

HOUSING 06) Section 521 Rural Rental Assistance Payments  
 Budget Account Number: 12-0137-0-1-604  
 FY 1993: federal \$393.922 million

HOUSING 07) Section 235 Homeownership Assistance for Low-Income Families  
 Budget Account Number: 86-0148-0-1-604  
 FY 1993: federal \$62.033 million

HOUSING 08) Section 101 Rent Supplements  
 Budget Account Number: 86-0129-0-1-604  
 FY 1993: federal \$55.1 million

HOUSING 09) Indian Housing Improvement Grants  
 Budget Account Number: 14-2301-0-1-452  
 FY 1993: federal \$19.922 million

HOUSING 10) Section 504 Rural Housing Repair Loan Grants for Very Low-Income Rural Homeowners  
 Budget Account Number: 12-2081-0-1-371  
 FY 1993: federal \$11.330 million

HOUSING 11) Section 514 Farm Labor Housing Loans  
 Budget Account Number: 12-2081-0-1-371  
 FY 1993: federal \$16.299 million

HOUSING 12) Section 523 Rural Housing Self-Help Technical Assistance Grants and Section 523 Rural Housing Loans  
 Budget Account Number: 12-2006-0-0-604 (grants); 12-2080-0-1-371 (loans)  
 FY 1993: federal \$11.142 million

HOUSING 13) Section 516 Farm Labor Housing Grants  
 Budget Account Number: 12-2004-0-1-604  
 FY 1993: federal \$15.936 million

HOUSING 14) Section 533 Rural Housing Preservation Grants for Low-Income Rural Homeowners  
 Budget Account Number: 12-2070-0-1-604  
 FY 1993: federal \$23 million

HOUSING 15) Public Housing Expenditures by State Governments  
 Budget Account Number: none  
 FY 1993: state \$2,856 (estimate)

#### ENERGY AID

ENERGY 01) Low-Income Home Energy Assistance Program  
 Budget Account Number: 75-1502-0-1-609  
 FY 1993: federal \$1,318.961 million state \$92.327 million

ENERGY 02) Weatherization Assistance  
 Budget Account Number: 89-0215-0-1-999  
 FY 1993: federal \$182.368 million

#### EDUCATION AID

EDUCATION 01) Pell Grants  
 Budget Account Number: 91-0200-0-1-502  
 FY 1993: federal \$6,098.572 million

EDUCATION 02) Head Start  
 Budget Account Number: 75-1536-0-1-506  
 FY 1993: federal \$2,776.041 million state \$694 million

EDUCATION 03) Title One Grants to Local Education Authorities for Educationally Deprived Children Under the Elementary and Secondary Education Act  
 Budget Account Number: 91-0900-0-1-501  
 FY 1993: federal \$6,139.868 million

**EDUCATION 04) Supplemental Educational Opportunity Grants**

Budget Account Number: 91-0200-0-1-502

FY 1993: federal \$588.108 million

**EDUCATION 05) Chapter One Migrant Education Program**

Budget Account Number: 91-0900-0-1-501

FY 1993: federal \$302.773 million

**EDUCATION 06) Special Programs for Students from Disadvantaged Backgrounds (TRIO Programs)**

Budget Account Number: 91-0201-0-1-502

FY 1993: federal \$388.165 million

**EDUCATION 07) State Student Incentive Grants (SSIG) for Needy Students**

Budget Account Number: 91-0200-0-1-502

FY 1993: federal \$78.003 million state \$78.003 million

**EDUCATION 08) Fellowships for Graduate and Professional Study for Disadvantaged Minorities**

Budget Account Number: 91-0900-0-1-502

FY 1993: federal \$61.628 million

**EDUCATION 09) Follow Through**

Budget Account Number: 91-1000-0-1-501

FY 1993: federal \$8.478 million

**EDUCATION 10) Even Start**

Budget Account Number: 91-0900-0-1-501

FY 1993: federal \$90.122 million

**JOBS AND TRAINING AID****TRAINING 01) Training for Disadvantaged Adults and Youth (JTPA II-A), Block Grant**

Budget Account Number: 16-0174-0-1-504

FY 1993: federal \$1,691.7 million

**TRAINING 02) Summer Youth Employment Program (JTPA II-B)**

Budget Account Number: 16-0174-0-1-504

FY 1993: federal \$849.412 million

**TRAINING 03) Job Corps (JTPA-IV)**

Budget Account Number: 16-0174-0-1-504

FY 1993: federal \$949.287 million

**TRAINING 04) Senior Community Service Employment Program**

Budget Account Number: 16-0175-0-1-504

FY 1993: federal \$389.046 million state \$43.23 million

**TRAINING 05) Job Opportunity and Basic Skills Training (JOBS)**

Budget Account Number: 75-1509-0-1-504

FY 1993: federal \$736.500 million state \$456.630 million

**TRAINING 06) Foster Grandparents**

Budget Account Number: 44-0103-0-1-506

FY 1993: federal \$38.923 million state \$8.95 million

**TRAINING 07) Senior Companions**

Budget Account Number: 44-0103-0-1-506

FY 1993: federal \$14.571 million state \$3.35 million

**TRAINING 08) Migrant and Seasonal Farm Workers Training Program**

Budget Account Number: 16-0174-0-1-504

FY 1993: federal \$78.303 million

**TRAINING 09) Indian and Native American Employment and Training Program**

Budget Account Number: 16-0174-0-1-504

FY 1993: federal \$61.871 million

**SOCIAL SERVICES****SERVICES 01) Social Services Block Grant (Title XX)**

Budget Account Number: 75-1634-0-1-506

FY 1993: federal \$2,784.745 million state \$2,200 million

**SERVICES 02) Community Services Block Grant**

Budget Account Number: 75-1504-0-1-506

FY 1993: federal \$442.830 million

**SERVICES 03) Legal Services Corporation**

Budget Account Number: 20-0501-0-1-752

FY 1993: federal \$360.563 million

**SERVICES 04) Emergency Food and Shelter Program**

Budget Account Number: 58-0103-0-1-605

FY 1993: federal \$128.992 million

**SERVICES 05) Social Services for Refugees and Cuban/Haitian Entrants**

Budget Account Number: 75-1503-0-1-609

FY 1993: federal \$68.685 million

**SERVICES 06) Title X Family Planning**

Budget Account Number: 75-0350-0-1-550

FY 1993: federal \$162.646 million

**SERVICES 07) Volunteers in Service to America (VISTA)**

Budget Account Number: 44-0103-1-0-506

FY 1993: federal \$43.311 million

**SERVICES 08) Title III b Supportive Services Under the Older Americans Act**

Budget Account Number: 75-0142-0-1-506

FY 1993: federal \$296.844 million

**SERVICES 09) Daycare Assistance for Families "At-Risk" of Welfare Dependence**

Budget Account Number: 75-1501-0-1-609

FY 1993: federal \$264.316 million

**SERVICES 10) Child Care and Development Block Grant**

Budget Account Number: 75-1515-0-1-609

FY 1993: federal \$ 892.711 million

**SERVICES 11) Child Care for Recipients (and Ex-Recipients) of AFDC**

Budget Account Number: 75-1501-0-1-609

FY 1993: federal \$595.568 million

**COMMUNITY AND DEVELOPMENT AID****COMMUNITY AID 01) Community Development Block Grant**

Budget Account Number: 86-0162-0-1-451

FY 1993: federal \$4,243.374 million

**COMMUNITY AID 02) Urban Development Action Grant Program (UDAG)**

Budget Account Number: 86-0170-0-1-451

FY 1993: federal \$51.314 million

**COMMUNITY AID 03) Economic Development Administration**

Budget Account Number: 13-2050-0-1-452

FY 1993: federal \$26.356 million

**COMMUNITY AID 04) Appalachian Regional Development Program**

Budget Account Number: 46-0200-0-1-452

FY 1993: federal \$144.697 million

**COMMUNITY AID 05) Legalization Impact Aid**

Budget Account Number: 75-1508-0-1-506

FY 1993: federal \$325.642 million

Chairman SHAW. Mr. Horowitz.

**STATEMENT OF MICHAEL HOROWITZ, SENIOR FELLOW,  
HUDSON INSTITUTE**

Mr. HOROWITZ. Thank you, Mr. Chairman. First, this is rather an extraordinary night/day phenomenon. I testified before this Subcommittee on August 13 and I testify today. The world is a very different world and I think it is a different world because in large part we as a country are finally liberated from the notion that has shackled us all, and the poor most of all; that one's compassion is a function of how much more of the same solutions one supports. We are freed of that, thank goodness, and thank goodness for the poor, who have been savaged by this program in the ways Bob Rector and others have described.

I think it is right for the Committee to begin today with the two critical questions that deal with the key operational and strategic issues of welfare: One, ought welfare exist on an entitlement base and two, what should the role of the Federal Government vis-a-vis the State be.

I was General Counsel to the Office of Management and Budget during the first 5½ or so of the Reagan years and saw the effects of entitlement programs in welfare and elsewhere. During the Reagan administration I also was the first chairman of the Working Group on Federalism. I worked on the Reagan "grand swap" proposal and worked on the regulations under the block grant programs that were created during the Reagan years. So I would like to share some of my thoughts with the Committee.

On the question of entitlement first, I think the colloquy between the Chairman and Mr. Rangel and Ms. Bane really ended the discussion about entitlements as a moral compulsion. All this talk of "what about the children?" Well, the children that Ms. Bane cares about whose mothers under the administration bill don't conform to the standards the administration creates are in precisely the same situation—the funds are cut off, at least the cash funds.

But I think the Chairman also pointed out that we are just talking about cash assistance cutoffs and there are lots of other welfare alternatives to cash. But the idea that a 16-year-old should be entitled simply for and following the act of mothering an illegitimate child to an independent home with a can't-make-it family and an independent income is wrong. Taxpayers have suffered, but the children of those mothers have suffered most of all from this arrangement. And I think there is a consensus to stop that and end our entitlement psychology with regard to welfare.

There are two other issues with regard to entitlements. One, and I saw this from my experience at OMB—Mr. Rangel, you were troubled at the fact that welfare spending has to compete with other kinds of spending. I am not troubled by that. I think that there is something appalling at the idea of democracy on autopilot. I think there is something appalling about the idea that the default option if Congress does nothing, and it is easy to block Congress from doing something, is the awful status quo, the horrid status quo of our welfare system.

I think what Congress needs is action forcing mechanisms by which you must explore the welfare system every single year. In



many ways the political system and people who sat in your places rather preferred an entitlement system. It was a hands-off kind of government. If it didn't work, it was the system that wasn't working, not them.

By putting welfare on a nonentitlement basis, you, our elected representatives, are forced to look at the consequences of the situation. I am not talking about a Social Security system where the issue is affordability. We are talking about a system of enormous policy sensitivity, and I don't think we can allow a default option to favor the status quo. That has been devastating for a system that even Mr. Rangel and the President point out has not worked, or rather has worked tragically.

Another point with regard to entitlements. John Cogan wrote an exquisite book about entitlements and the growth of deficits. I commend it to the Members of this Committee. He points out that entitlements tend to be focused in single committees which then take care of "their" programs. They don't have competing considerations. In those years where entitlements consumed spending, deficits have gone up. In those years where spending was independently controlled by separate committees of Congress, deficits have gone up. Entitlement stands in the way of balancing one kind of spending against the other and it generates deficits.

Two final points on block grants. The first is there is a change in psychology that is staggering now. When I was in the Reagan administration, the Governors were the people who least wanted deregulation. They preferred safe harbors of Federal bureaucracies. They were comfortable with being middle managers for the Federal bureaucracies because it was politically easier for them to blame the Federal Government when things went wrong.

In 15 years, as Governor Engler has shown, this situation has changed, so we are ready for block grants now. I have two bits of advice, however, for this Committee. One, I implore you to be sure in the legislation to have a stern mechanism allowing, on a point of order basis, future categoricals to be stricken and defeated. If you look at the categorical program record with the Reagan administration, we block granted lots of programs, there was an empty field, and it proved irresistible, and so by the end of the Bush years, we had as many categoricals at a Federal level as we had had when we started in the Reagan administration, but that was on top of the block grants.

So if you have block grants, you have to ensure as best you can that Congress doesn't shoot blindly again and have some political official who sees a headline and due to an alleged or real problem doesn't create a new narrow categorical, because we will then be back where we started. When Nixon started the General Revenue Sharing Program he had the same hope. It only led to bigger Federal programs at Federal and State levels. And if you want to devolve to the States, you have to stop, in a procedural way, categoricals from happening again.

On the Federal standards issue and the marvelous colloquy between Mr. Rangel and Governor Engler, I found myself enormously sympathetic to your view, Mr. Rangel. I think it is unrealistic to expect the Federal Government to supply the cash and the gaso-

line, as Mr. Levin puts it, and expect the States to drive absolutely free.

There are Federal standards and they do make sense, and it is your responsibility to do it. That is not to say that block grants would not create radical change. When Governor Engler began, he had a pile this high of micromanaging regulations of Federal bureaucracies. Sweep that away, but I don't think you can ignore the obligation to have standards.

And in that regard the final point. Please do not do your work with performance standards. That is to say Congress will give performance targets to the States and they will be treated on the basis of whether or not they hit the performance targets. We have had lots of experience with error rate administration with welfare programs involving the States. You will never enforce those error rates if the targets are not met. So Congress has to do what it is doing now; put in standards and make States live with them.

Thank you, Mr. Chairman.

[The prepared statement follows:]

**STATEMENT OF MICHAEL HOROWITZ  
SENIOR FELLOW, HUDSON INSTITUTE  
AT THE HEARINGS OF THE SUBCOMMITTEE ON HUMAN  
RESOURCES  
HOUSE AND WAYS AND MEANS COMMITTEE  
JANUARY 13, 1995**

Mr. Chairman and Members of the Committee:

I am grateful for this opportunity to appear before the Subcommittee whose actions and judgments will play a critical role in determining whether, as we approach the 21st Century, America can continue to achieve our central historic mission: to create for all Americans lives of hope and opportunity and dignity. This dream, which for many generations of Americans was a reality so blessed as to have been seen as the product of a divine hand, is increasingly unrealized by growing numbers of us.

To see in many central cities the mounting scourges of dependency, illegitimacy, crime and hopelessness is to despair at the possibility that the American dream is not working for those who need it most. Nothing matters more for us as a nation than to recapture our magic for those people.

In struggling for workable answers and policies, this Subcommittee will have one powerful advantage: the freedom to unshackle itself from the conventional wisdom and the tired, failed answers of the past thirty years. In the space of months -- measured for me by the remarkable difference between today's hearings and the August hearings of the Subcommittee before which I testified -- there is no longer serious political mileage which can be gained from arguing that concern for less fortunate Americans is measured by one's belief in a more-of-the-same approach to welfare policy.

The manifest failure of our welfare programs, which have perversely increased poverty in almost direct proportion to the growth of federal programs waging their Great Society "war" on it, imposes a moral obligation on all of us to seek new answers and new approaches. Accordingly, I believe it particularly fitting that for its first hearings this Subcommittee has focused on the two questions which lie at the heart of the procedural, operational and strategic questions surrounding American welfare policy:

- whether welfare benefits should be granted on a federal entitlement basis; and
- whether the federal role in welfare policy should be radically reduced.

Having served as the General Counsel of the Office Management and Budget during the Reagan Administration, and having been the first chairman of its Working Group on Federalism, I have had a measure of experience on the above subjects which I hope will be of value to the Subcommittee.

### Welfare and Federal Entitlements

In my view, few design features of current welfare policy have been as harmful as its entitlement-based character. This so for a number of reasons.

First, as our core underclass problems have increasingly centered on young, increasingly teenaged women, our welfare system has done precisely what it should not do: entitle unmarried sixteen year old mothers to independent incomes, and further entitle their lost-at-the-start families to independent homes of their own. Leaving aside the arid debate over whether welfare entitlements have created our mounting incidence of illegitimacy, it is sufficient condemnation of our entitlement-based welfare system to note, as Mickey Kaus has written, that welfare has facilitated and empowered today's family pathology and breakdown. People who parent children they have no capacity of caring for should only be given public resources on the wariest and most careful of bases. Providing a legal entitlement to such funds for or following the very act being irresponsible is an inexcusable public policy which has savaged communities and undermined their survival values. In this respect, the entitlement-based character of our welfare system -- offering as it does to many an entitlement based on status and irresponsibility rather than prior contribution and deserving character -- rejects the original federal welfare design envisioned by the New Deal. As is now generally known, today's core welfare entitlement to unwed mothers was added to AFDC by historical accident, against the knowledge and wishes of Frances Perkins, the Roosevelt Administration's Labor Secretary and the person principally charged with designing its welfare policy. Perkins, the most liberal member of the Roosevelt Administration and its most experienced person on issues of social welfare policy, correctly predicted that a federal entitlement for unwed mothers would be the cause of family breakdown and consequent hopelessness for children.

At an even more fundamental level, the creation of an entitlement-based system in a policy area as volatile as welfare is powerfully undemocratic and, in its most fundamental sense, legislatively irresponsible. By its very nature, an entitlement is inertial and allows government to operate on an auto-pilot basis. With its default option in favor of the status quo and its built-in bias in favor of keeping existing policies in place and unchanged, entitlements help create for political leaders an escape from

political accountability -- precisely the reverse of what good public policy demands insofar as welfare is concerned. It's always easier not to act when one does not need to, and rather than generating the action-forcing policy reviews our welfare system desperately needs, the system's entitlement-based character has had the opposite effect. As distinguished from Social Security -- whose major problems involve issues of affordability rather than perverse design -- the policy-sensitivity of the welfare community requires that welfare systems be flexible and easily open to change. An entitlement-based welfare system makes this effectively impossible.

Finally, as John Cogan has pointed out, any entitlement-based system inherently causes Congress to deal with welfare issues in isolation, without reference to competing and complimentary public claims and public needs. Given the committee system by which Congress organizes itself, entitlement programs are necessarily focused in particular committees -- and those committees necessarily lack the critical responsibility of balancing "their" entitlement programs against the spending claims caused by the programs of other committees. Cogan's analysis of Congressional spending patterns since the beginning of the Republic reveals that deficits have been lowest when Congress placed centralized responsibility for all federal spending in a single committee. Conversely, our deficits have been highest and most out of control when budgeting and spending has been decentralized -- a characteristic feature of entitlement spending. Entitlement programs thus create "tragedies of the commons," giving Congressional committees the effective authority to spend public resources without the responsibility of allocating those resources over the full range of federal programs. Ending the entitlement character of welfare programs will diminish this Committee's authority over welfare, to be sure, but it will also ensure that Congressional treatment of welfare issues will be undertaken with greater regard for other low-income programs and other federal needs.

A word is in order to deal with a newly fashionable argument for welfare entitlements -- it has been principally advanced by Robert Greenstein, until recently the Clinton Administration's designee as Deputy Director of Office Management and Budget. According to Greenstein, welfare entitlements have the alleged economic virtue of insuring that spending on the needy will take place during periods of recession and other economic downturns. Greenstein thus alleges that, left to its own devices, a presumably heartless Congress would be likely to cut welfare spending for presumably powerless low income Americans when they allegedly need help the most. Leaving aside Greenstein's profoundly mistaken view that Americans will not be particularly generous to its most needy citizens when times are hardest, his argument is also wrong on at least three counts:

- First, our core underclass problems have little if anything to do with the state of the economy. Underclass growth and pathology have increased in good times and bad over the past thirty years, thus making it all the more imperative to end our auto-pilot system of welfare entitlement spending and to radically change welfare policies and incentives.
- Second, Greenstein ignores the fact that the Great Society totally altered the character of welfare programs. As distinguished from welfare spending under New Deal designs, today's welfare programs largely provide benefits to the rich and powerful. In other words, today's welfare entitlements now largely go to "public sector vendors" in the (forlorn) hope that the services they provide will benefit the poor. Since the days of the Great Society, when a deliberate attempt was made to create public spending dependencies on the part of the business and the non-profit sectors, today's "trickle down government" welfare spending programs enjoy the active support of the most powerful and wealthy constituencies of the country -- farmers, grocers, doctors, homebuilders, social workers, lawyers, teachers, and other like groups on whom welfare monies are now largely and most directly spent.
- Third, a comparison of federal spending on low income entitlement and low income discretionary programs reveals that during recessionary periods, discretionary program spending increases have been at least as great as entitlement spending increases. Members of this Subcommittee with any measure of seniority have surely experienced the successful pressures, usually in the form of urgent supplemental bills, for recession-period spending on such programs (many of dubious accomplishment) as compensatory education, WIC, Job Corps, Summer Youth Employment and the like. Greenstein's thesis fails by this measure alone.

In sum, for both fiscal and policy reasons, there is an imperative need to end the entitlement character of today's welfare system.

### Welfare and Block Grants

Today's panel of Governors, and Governor Engler in particular, will more fully touch on the efficacy of block grants, but a few supplementary observations may be of value.

First, I believe it useful to share with the Subcommittee my sense of the night versus day differences between today's Governors -- with their

positive eagerness to assume responsibility and political accountability for welfare and other public policy matters -- and the spokesmen for state governments I encountered when I was involved in shaping and deregulating the Reagan block grant programs. One of the most striking things about the Reagan block grants was the enormous interest on the part of many states in maintaining extensive federal regulatory reach after the block grants were enacted. At that time, it was clear to many of us that many state officials had become comfortable serving as middle managers for federal bureaucracies -- that political life was easier for many state officials able to blame the federal government for program failings and for whom narrow regulatory "safe harbors" were preferable to policy discretion. It's harder for voters to blame officials who lack authority to run programs and, lip service aside, many state officials preferred this arrangement during the Reagan years. As this Subcommittee well knows from its dealings with today's Governors, this situation -- happily -- no longer obtains. As I also know from the exciting collaboration now taking place between the Hudson Institute and Governor Thompson over welfare reform in Wisconsin, states are today ready and willing to serve as the "laboratories of democracy" that Justice Brandeis believed the Constitution meant them to be.

Next, I believe it imperative for this Subcommittee to carefully guard against the "categorical program creep" which occurred after the Reagan block grants were adopted. Having swept the field clean of many federal programs, Congress soon found itself unable to resist creating new federal programs on top of the state block grants, so that by the end of the Bush Administration there were almost as many new and overlapping federal categorical programs as there had been before the Reagan block grants were enacted. Likewise, the Nixon Administration's hope that Federal Revenue Sharing would abate Congress' appetite for creating and sustaining new, narrow federal programs proved forlorn. Accordingly, I urge the Subcommittee to enact stiff procedural devices which allow this and future Congresses to defeat, on a point of order basis, any new efforts to create new federal programs dealing with the policy areas covered by any block grant programs this Congress may enact.

Third, a word may be in order about the degree of federal authority appropriate to any new block grants. Having spent many years fighting for greater state autonomy over domestic policy, and having sought to end federal micromanagement of the states, I nonetheless believe it unrealistic if not inappropriate for Congress to annually appropriate funds over whose spending it can have no say whatsoever. In the end, if Congress is responsible for raising funds, it cannot escape a correlative responsibility to exercise broad, general standard-setting authority over the expenditure of those funds. Such broad exercise of authority is very different from the literal control that the federal bureaucracy now exercises over the states, and enactment of welfare block grants containing broad federal principles will create a literal and long-needed revolution in federalism. In the end, the

only way to end any federal control over welfare would be for Congress to cede federal revenue sources to the states equal to the cost of the welfare programs which the states will assume. This was a critical design feature of the Reagan "Grand Swap" federalism proposal of 1983, and I hope that this Subcommittee can now look seriously at such a step.

Finally, I urge the full Committee not to ignore the immediate need for, ~~or the present political opportunity to~~, provide the states with flexibility and discretion in the design of their Medicaid programs. As originally conceived, Medicaid was a reasonable model of federal-state relations; it provided matching federal payments to states which chose to offer designated forms of medical care to designated cohorts of low income persons. Over the past two decades, however, in almost literal reversal of its central design feature, Medicaid has been radically converted into a program which effectively dictates financial burdens and health care regimes on the states.

A critically needed Medicaid reform, precisely in the spirit of the block grants which this Subcommittee is considering, would be to repeal Medicaid's imperial "states must" language (which Congressman Waxman has been particularly artful in inserting) and to convert it into originally intended "states may" language. In this regard, I believe it will be a lost opportunity which Congress and the states will deeply rue if the Unfunded Mandates legislation now scheduled for fast track approval by this Congress creates prospective relief only and fails to modify the existing base of unfunded Medicaid mandates.

Such relief is literally needed if American federalism is to be fiscally viable, would allow the states to balance between health care and other welfare needs, and would be likely to generate enormous federal fiscal relief. The debate over Medicaid should not take the form of a national health care debate, for Medicaid is, more than anything else, an unfunded mandate program under which Congress "created" benefits without regard to the needs or resources of the states it left holding the bag.

I hope that members of this Subcommittee, and the Governors, will look more skeptically at current Unfunded Mandates bills -- and insist that the legislation contain something more than a Congressional promise not to sin again and nothing less than renewed state discretion and flexibility to define Medicaid's reach and scope.

This concludes my remarks. I again thank the Chairman and the Subcommittee for the honor of being able to offer my views at today's opening hearings on the great, long-needed welfare debate in which the 104th Congress will engage.



**STATEMENT OF MARVIN N. OLASKY, PH.D., PROFESSOR,  
DEPARTMENT OF JOURNALISM, UNIVERSITY OF TEXAS,  
AUSTIN, TEXAS**

Mr. OLASKY. Thank you, Mr. Chairman. There is a lot to say and not much time, so let me make just two points, one on history, one on language. My historical point is this: Today we have lots of theories about fighting poverty, but it is not necessary to be moving on a theoretical plan. We know how to fight poverty. We had successful antipoverty programs a century ago, successful because they embodied seven points that can be remembered in alphabetical order: Affiliation, bonding, categorization, discernment, employment, freedom, and God.

Those are all explained in what I have written, but the key element in all of them is personal involvement and challenge, both material and spiritual. History shows that big bureaucratic programs have not worked. Here are some quotations.

Recipients of relief lose their energy and self-respect.

Government aid creates a dependent feeling, a dry rot.

Many of the poor are worse off than if they had never been helped.

You might think those quotations are from today's debates but they all come from the 1870s. When I spent a year in the bowels of the Library of Congress, I found hundreds of references like this. This is not theory, this is not ideology. This is real-life experience a century ago and today and it is there for anyone to see. It is also there for anyone who wants to spend the time in researching the records of what did work then.

During the 19th century a successful war on poverty was waged by tens of thousands of local, private, charitable agencies, and religious groups around the country. The platoons of this greatest charitable army in history often were small. They were made up largely of volunteers. Over in the Library are thousands of eye-witness accounts and journalistic assessments. Go look at some of them, please.

The poverty fighters then did not abolish poverty, but they saw movement out of poverty by millions of people. They saw springs of freshwater flowing among the poor, not just blocks of ice sitting in a perpetual winter of multigenerational welfare dependency.

And the optimism that was prevalent then contrasts sharply with the demoralization among the poor and the cynicism among the better off that is so common now. What was their secret? It was not neglect, either benign or malign. It was their understanding of the literal and Biblical meaning of compassion.

And this leads to the point on language. Today in Washington the word compassion is often used in connection with the spending of billions of dollars: "A compassionate piece of legislation." But the word comes from two Latin words—com, with; pati, to suffer. The emphasis is on personal involvement with the needy, suffering with them, not just giving to them. Suffering with means adopting hard-to-place babies, providing shelter in our own homes to women undergoing crisis pregnancies, becoming a big brother to a fatherless child, working one-on-one with a young single mother.

If we had more time, I would like to tell you stories of a great cloud of witnesses who suffered with. These unknown soldiers

spent their lives in true compassion. They have been almost entirely ignored by historians, who assume that antipoverty work did not become real until governments became involved. But I spent a year with those manuscript journals and those newspaper accounts and organization records, and I can tell you that suffering with worked big time.

If folks 100 years ago could help others to move out of poverty and then turn their attention to the next group of immigrants and impoverished, why can't we? Did they have more time than we do? No. Did they have more money? No. Did they have more space in their homes so they could take in another person and we cannot? No.

I could go on, but when you have lived in 19th century cities, as I have vicariously, you don't fall for those myths of the good old days. They weren't. Life was hard. But here is what is so exciting. Volunteers opened their homes to deserted mothers and orphaned children. More significantly, they made moral demands on recipients of aid. They saw family, work, freedom and faith as central to our being, not as lifestyle options.

The volunteers gave their own lives, not just so others might survive, but that they might thrive. What I learned leads me to wonder, why can't we do the same? Were Americans then a different people than we are today? Have we become so corrupted that we don't care about others? I think not. I hope not.

But we have become used to having someone else do it for us even though we know that a professional social worker with the best of intentions but a caseload of 200 or 300 can't do much more than shuffle paper. Bad charity drives out good.

My conclusion is that when we complain about a spendthrift welfare state, we are right about the costs, but we are actually stating the problem backward. The major flaw of the modern welfare state is not that it is extravagant, but that it is too stingy. It gives the needy bread and tells them to be content with that alone. It gives the rest of us the opportunity to be stingy also. We can feel nice while we scrimp on what many of the destitute need most—love, time, and challenge. We need to recapture the optimism that a look at history can provide. We need to recapture the understanding that a true definition of compassion suggests.

Thank you.

[The prepared statement follows:]

Statement of

Marvin N. Olasky  
Professor, Department of Journalism  
University of Texas  
Austin, Texas

Before the Subcommittee on Human Resources  
Committee on Ways and Means  
U.S. House of Representatives

January 13, 1995  
Washington, D.C.

**American Compassion, Past and Present: Part I**

Mr. Chairman and Members of the Subcommittee: my name is Marvin Olasky.

I am pleased to be joining you today, and thank you for the opportunity to discuss the role of compassion in helping the poor.

During winter in Washington, the social pendulum swings. Coming inside Union Station on a cold January night is like entering a magic kingdom: classical music fills the air, high-rent shops fill the mall areas, and the Amtrak waiting rooms are generally clean.

But outside, away from the bright lights, sounds a different song. Panhandlers wait near the escalator leading down to the subway. Some seem coolly efficient in their work; others are inebriated and occasionally aggressive; and one, with a sly sense of humor, sings, "Rich folks roasting on an open fire/ Homeless stepping on their toes."

At quitting time in the nation's capital two classes step on each other's toes. Most are part of the enormous class of those who work, and then head home to families and friends. A small number, however, have chosen to become beggars.

Unlike beggars of other lands who are crippled or otherwise without opportunity to make a living, most could adopt other ways of life, but are supported by the quarters and dollars handed over by guilty-ridden passersby. There is little joy in giving; but those heading home know that many will be going to grates or shelters, and they want to show "compassion."

Some who give are following their instincts, but others apparently have learned one lesson taught by our top societal teachers. Across the country, day after day, newspaper pundits and talk show hosts tell us to be "compassionate" toward the "homeless." That ten-letter word - "compassion" - slides over tongues like a social lozenge. Within one month, in five major newspapers, writers used the word "compassion" about 300 times, and provided instruction on the subject hundreds of other times as well.<sup>1</sup>

"Compassion" is used in many ways: giving a dollar at the subway; appropriating a billion dollars for federal housing; "feeling sorry for" and "letting off easy." The word has become such a political and moral bludgeon that those who refuse to give - at the subway or the legislative office - are generally portrayed as "rich folks roasting on an open fire."

If the problem were only that holdouts from conspicuous giving await consignment to the circle of hell that trendy journalists reserve for those declared selfish, it would be minor: those who fight the social waves must anticipate a battering. The problem too easily overlooked is the destruction of lives of those volunteer subway doormen. The subsidy they receive, through both individual giving and taxpayer coercion, represents the opposite of compassion as historically understood in America. Compassion over the centuries energized, but modern "compassion" enervates.

An accurate theory and practice is vital at this time when charity leaders are applauded for saying, "The important thing to remember is that we must get involved in some way - any way."<sup>2</sup> As that attitude becomes general, questions go unasked: Does our "compassion" help or hurt? What if many points of light are actually points of darkness? If we have a cabinet full of medicine bottles, do we recommend dipping into any of them, or should we have warning labels?

Americans in earlier centuries faced social problems similar to our own, but they were able to develop thoughtful approaches for many reasons - one being that "compassion" was not merely a rhetorical device.

### The Early Concept

In 1834, Noah Webster defined compassion as "A suffering with another; painful sympathy."<sup>3</sup> Webster was a Bible-believing Christian, and his earlier dictionaries provide theological as well as lexicographical insight. Inclusion of the terms "suffering" and "painful" reflected both the literal meaning of compassion (from the Latin *com*, with, and *pati*, to suffer) and Webster's religious education: the word "compassion" appears in the King James Bible 42 times, usually as the translation of words coming from the Hebrew root *rachum* (womb) of the Greek root *splanchnon* (bowels of yearning), underscoring the close personal relationship that the person who offers compassion is to have to the recipient.

For the Americans through the mid-19th century, a second connotative element also was vital: churchgoers were taught that the Biblical compassion was more the culmination of a process than an isolated noun. Repeatedly, in Judges and other books, the Bible says that only when the Israelites had repented their sins did God, as a rule, show compassion. Second Chronicles 30:9: "the Lord your God is gracious and compassionate. He will not turn his face from you if you return to him." Nehemiah 9:27: "when they were oppressed they cried out to you. From heaven you heard them, and in your great compassion you gave them deliverers."

God's refusal to be compassionate at certain times makes the pattern even more evident. Isaiah 27:11 describes Israel as "a people without understanding; so their Maker has no compassion on them." In Jeremiah 15:6, God tells Israel, "You have rejected me...I can no longer show compassion." Similarly, the New Testament shows that those who have strayed from God must have the graces to cry out for help.<sup>4</sup>

This understanding of compassion as covenantal - requiring action by both parties - was critical in keeping the principle of *suffering with* from becoming a Buddhist-like esteem for suffering. The goal of all suffering was personal change. Those who refused to change did not deserve to be the beneficiaries of others' suffering; they might have to be left to themselves until their own suffering become so great that they gave up their false pride.

These aspects of compassion - suffering with, change, mutual responsibility - provide insight into that which colonial groups such as the Scots' Charitable Society (est. 1684)

meant when they "open[ed] the bowells of our compassion" to widows but ruled that "no prophane or diselut person, or openly scandalous shall have any pairt or portione herein."<sup>5</sup>

Sermons for several hundred years equated compassion with personal involvement that demanded firm standards of conduct among recipients; they also stressed the duty of all to show compassion: Minister Benjamin Colman said in 1725, "Acts of Compassion and Mercy to our poor and *Brethren* [are] esteemed by the *Lord of the Sabbath* to be *Holiness* to himself" and "compassion and Mercy to the poor is Conformity to God."<sup>6</sup>

The basic message seems to have been presented among all denominations. Anglicans believed that those blessed materially by God should "compassionate" the poor by descending into misery when necessary in order to help pull them up: "This in one order of life is right and good; nothing more harmonious."<sup>7</sup> American followers of Methodism spread John Wesley's advice to "Put yourself in the place of every poor man and deal with him as you would God deal with you."<sup>8</sup>

In looking at definitions of compassion, we might conclude that cultures build systems of charity in the image of the gods they worship, whether distant deist, bumbling bon vivant, or "whatever goes" gopher. In colonial America, belief in a theistic God of both justice and mercy led the way to an understanding of compassion that was both hard-headed and warm-hearted. Justice meant punishment for wrongdoing, so it was right for the slothful to suffer. Mercy meant rapid response when people turned away from past practice, so malign neglect of those willing to change also was wrong.

The early definition had several other connotations:

- The belief that God was not merely an establisher of principles but a personal intervenor ("God's Providence") contributed to a sense that man, created after God's image, also was to go beyond clockwork charity: "God values our *Hearts and Spirits* above all our Silver and Gold, our Herds and Flocks. If a *Man* would give all the *Substance of his House instead of Love*, the Loves of his soul and the Souls of his House, it would be contemned."<sup>9</sup>
- The better-off should know the various "characters" of the poor. Today's believers in "liberation theology" typically argue that God is on the side of the poor in general, but the older distinction showed God backing the mistreated poor yet chastising those who had treated themselves to indolence.<sup>10</sup>
- True compassion emphasized spiritual help, paralleling that which historian Gertrude Himmelfarb has noted in the English context: "there was nothing invidious in being preached to. What was invidious was not being preached to, not having access to the kinds of moral, religious, and communal experiences that were a normal part of life for those not so poor as to be deprived of them."<sup>11</sup>
- Withholding material help was at times compassionate. Cotton Mather warned in 1698, "Instead of exhorting you to augment your charity, I will rather utter an exhortation...that you may not *abuse* your charity by misapplying it."<sup>12</sup>

The difference between Mather's restraint and our mechanistic redistributionism shows how much dominant ideas of human nature have changed. For the next two centuries, it was believed that many persons, given the option of working, would choose to sit. Based on that belief, Mather told his congregation, "Don't nourish [the idle] and harden 'em in that, but find employment for them...Find 'em work; set 'em to work; keep 'em to work."<sup>13</sup>

Likewise, Charles Chauncey told members of the Society for Encouraging Industry and Employing the Poor to restrain "the Distribution of [their] Charity; not being allowed to dispense it promiscuously, but obliged to take due Care to find out suitable Objects; distinguishing properly between those needy People who are *able*, and those who are *unable*, to employ themselves in Labour." Referring to the apostle Paul's maxim of Second Thessalonians 3:10 - "If a man will not work, he shall not eat" - Chauncey said, "the Command in my Text is plainly a *Statute of Heaven*, tying up your Hands from Charitable Distributions to the slothful poor." It was both economically foolish and morally wrong to subsidize bad habits by bestowing upon those the Bread of Charity, who might earn and eat their own Bread, if they did not shamefully idle away their Time."<sup>14</sup>

True compassion meant a challenge rather than acceptance. The poor were seen not as standing on the bottom rung of the social ladder - with the only possible choices stagnation or upward movement - but as resting in the middle, capable of moving either up to economic independence or down toward "pauperism," characterized by a defeated spirit and dependent state of mind - as well as by lack of income.

### Early Compassion in Practice

There were some, of course, who became poor by circumstances beyond their control. They received personal care, often in neighbors' homes. The emphasis on *suffering with* meant that orphans during colonial times normally were adopted into families. As towns and cities grew, however, some institutionalization emerged: orphanages were established in New York, Philadelphia, Baltimore, Boston, and other cities. Likewise, at the end of the 18th century, some groups began providing small monthly allowances to working widowed mothers. "Widows who have the charge of two, three, four or five children," a Boston association declared, "are unequivocally proper subjects of alms."

Even so, the Society for the Relief of Poor Widows with Small Children (est. 1797 in New York City) was cautious in distributing aid; volunteers checked the means, character, and circumstances of each applicant, making sure that relatives were unable to help and that alcoholism was not contributing to misery. Further, aid almost always was given in kind - food, coal, cloth - rather than in cash. During the winter of 1797-98, the Society helped 98 widows with 223 children; by 1800, 152 widows, with 420 children under the age of 12, were listed on its books. Because the Society accepted the only those clients who "would rather eat their own bread, hardly earned, than that of others with idleness," it emphasized finding work. In one year, widows received nearly 3,000 yards of linen to make shirts and other articles of clothing in their homes.<sup>15</sup>

Since compassion for widowed or abandoned women meant self-help whenever possible, the obligation extended to able-bodied men was even more exacting. Some 23 Boston charity societies declared in 1835 that recipients should believe it "disgraceful to depend upon alms-giving, as long as a capacity of self-support is retained...[To] give to one who begs...or in any way to supersede the necessity of industry, of forethought, and of proper self-restraint and self-denial, is at once to do wrong, and to encourage the receivers of our alms to wrong doing." Echoing Mather's warning of 150 years before, they believed "a faithful avoidance of the evils [of] an injudicious bestowment of alms" was essential to "Christian alms-giving."<sup>16</sup>

For that reason, the societies agreed that relief should be given only after a "personal examination of each case," and "not in money, but in necessities required in the case." Large-scale aid programs could not be discerning in that way and therefore intrinsically

lacked compassion. An 1844 *McGuffey's Reader* ridiculed a "Mr. Fantom" who had a "noble zeal for the millions" but "little compassion for the units." An English visitor observed that Ohioans did not favor building large institutions, but were compassionate on an individual and family basis: a "disabled Scotchman" received free "board amongst the farmers, sometime at one house, sometimes at another," while in another town a Dutch family impoverished by sickness were "provided with doctor and nurse, and in fact with everything needful for them, until they recovered."<sup>17</sup>

Likewise, Alexis de Tocqueville observed that Americans "displayed general compassion" through personal interaction, unlike the European pattern by which the "state almost exclusively undertakes to supply bread to the hungry, assistance and shelter to the sick, work to the idle, and to act as the sole reliever of all kinds of misery."<sup>18</sup> This difference, Tocqueville surmised, was due in part to the presence of small communities and strong religious ideas.

As some towns grew in the 1830s and 1840s, more societies to help the "worthy poor" emerged. The goal throughout was to make city relations as much as possible like those of the countryside. The Boston Provident Association (est. 1851), gave food, clothes, and coal to those willing to work but in temporary need; requests from drunkards were refused. Supporters were asked to give beggars not money but cards proposing a visit to the Association's offices, where volunteers would examine needs, make job referrals, and provide food and temporary shelter. It developed a list of "the worthy" and also a "black record," which in 1853 contained 201 names of "impostors" - able-bodied persons who refused to work.<sup>19</sup>

Those who were ill generally received help (given 19th century medicine, questionable help) regardless of backgrounds.<sup>20</sup> The New York Association for Improving the Condition of the Poor frequently emphasized the importance of taking personal action, and reported "an increasing number of families and individuals who are willing to take charge of one or more, often of several, poor families."<sup>21</sup> Reports show this conception of compassion - personal involvement and challenge - applied throughout the nation. In New York, Baltimore, Boston, Philadelphia, Chicago, St. Louis, and other cities, groups known as Associations to Improve the Condition of the Poor (AICPs) emerged in the two decades before the War Between the States.

The South had fewer cities but similar patterns of compassion, as shown by historian Suzanne Lebsock's detailed examination of Petersburg, Virginia. Lebsock is typical among historians in her bewilderment about the data she found; describing Petersburg's economic difficulties during the 1830's and 1840s and noting the lack of governmental response, Lebsock repeatedly indicates puzzlement and concludes, "How people got by, to repeat, is a mystery."<sup>22</sup> The mystery is largely unclouded by recalling how compassion was then practiced: people got by when their neighbors suffered with them.

Nineteenth century sermons continued to define compassion as *suffering with*. Congregation members were told the offer of compassion had to be personal: "To cast a contribution into the box...or to attend committees and anniversaries [are] very trifling exercises of Christian self-denial and devotion, compared with what is demanded in the weary perambulations through the street, the contact with filth, and often with rude and repulsive people, the facing of disease, and distress, and all manner of heart-rendering and heart-frightening scenes, and all the trials of faith, patience, and hope, which are incident to the duty we urge."<sup>23</sup>

Churches and charity organizations believed that professionals should be facilitators of aid, not major, or sole suppliers: "[t]here must, of course, be officers, teachers,

missionaries employed to live in the very midst of the wretchedness, and to supervise and direct all the efforts of the people...[but] mark you! these officers are not to stand between the giver and receiver, but to bring giver and receiver together."<sup>24</sup>

### Conflicting Definitions

The compassion consensus was based on the development of personal relationships, often cross-class. A few proto-Marxists challenged that definition by declaring that compassion meant not *suffering with* but forcible redistribution of income. That idea, however, did not receive a widespread hearing until some editors of the "penny press" - newspapers that because of printing and circulation innovations in the 1830s could sell for one cent - became, for both ideological and mercenary reasons, self-appointed tribunes of "the poor" generally.

The first popular challenge to the compassion consensus came from mid-19th-century American journalist Horace Greeley, who founded and became editor of the *New York Tribune* in 1841. A Universalist, Greeley believed that people were naturally good and that every person had a right to both eternal salvation and temporal prosperity. He probably never said the words most often attributed to him - "Go west, young man" - but he did advise many young men and women to fight poverty by joining communes in which the natural goodness of humans, freed from competitive pressure, inevitably would emerge.<sup>25</sup>

Not accepting orthodox Christian anthropology - that man's sinful nature leads toward indolence, and that an impoverished person given a dole without obligation is likely to descend into pauperism - Greeley saw no problem with payment to the able-bodied poor who did not work.<sup>26</sup> Rather than discuss the obligations of neighbors, Greeley argued that each member of "the whole Human Family" had "a perfect right...to his equal share of the soil, the woods, the waters, and all the natural products."<sup>27</sup> There was no need for *suffering with* when everyone, by government fiat if necessary, was due an equal sustenance.

Greeley and his followers, such as Charles Dana, Margaret Fuller, and George Ripley, were only partially successful in undoing the definition of compassion that had been built over the previous two centuries. Henry Raymond, founder of the *New York Times*, was Greeley's principal opponent, and emphasized individual and church action: "Members of any one of our City Churches do more every year for the practical relief of poverty and suffering, than any [commune] that ever existed. There are in our midst hundreds of female 'sewing societies,' each of which clothes more nakedness, and feeds more hunger, than any 'Association' that was ever formed."<sup>28</sup> Raymond praised "individuals in each ward, poor, pious, humble men and women, who never dreamed of setting themselves up as professional philanthropists," but daily visited the sick and helped the poor.

Debates between Greeley and Raymond show clearly the conflict of views. Greeley contended that supporting a system of equal, society-wide redistribution was "the duty of every Christian, every Philanthropist, every one who admits the essential Brotherhood of the Human Family,"<sup>29</sup> and argued that evil resulted from "social distinctions of master and servant, rich and poor, landlord and landless." The way to end evil was to redistribute wealth by having the government tax the better-off and distribute food and funds to those who had less. Raymond, however, argued that "before a cure can be applied or devised, the cause of the evil must be ascertained," and that cause was "the sinfulness of the heart of Man." The only solution lay in God's compassion toward man, and man's subsequent compassion toward the brethren: "The heart must be changed."<sup>30</sup>



Throughout the second half of the 19th century, the battle over compassion's meaning was waged largely along the lines established by Greeley and Raymond: Was the essence of compassion wealth redistribution, or a tiring but tireless struggle to aid the needy by helping them develop more productive patterns of thought and action? The equation of compassion with redistribution persisted, and eventually found new propagation in books by Edward Bellamy and other socialists of the 1880s and 1890s.

Most Americans, however, defined compassion more by actions than by words, creating a starry sky of private charitable organizations. In examining records from 1890 and 1891, I have counted 2,000 points of light in Baltimore, Chicago, and New York alone, which show how compassion a century ago was defined in practice:

- In Baltimore, the Association for the Improvement of the Condition of the Poor had 2,000 volunteers who made 8,227 visits in 1891 to 4,025 families. Nearly half the families were headed by widows who generally received material aid; most others were headed by able-bodied men who received help in finding jobs and in the fighting alcoholism and opium addiction. An emphasis on personal involvement of rich and poor - not just material transfer - was evident in many ways.

- Other Baltimore groups emphasized self-help for the poor and material transfer only to those unable to work. In 1890, the Thomas Wilson Fuel-Saving Society helped 1,500 families save on the purchase of 3,000 tons of coal. The Memorial Union for the Rescue of Homeless and Friendless Girls offered free rooms in private homes for teenagers and young women until long-term housing and jobs could be found. The Presbyterian Eye, Ear and Throat Charity Hospital offered free beds and Bible readings to the poor and illiterate.<sup>31</sup> While many groups had Protestant bases, Catholic groups also flourished: volunteers of the Society of St. Vincent de Paul of the City of Baltimore made 4,800 visits and relieved 345 families.

- Likewise, New York's charity organizations emphasized personal help and the exchange of time, not just money. The American Female Guardian Society and Home for the Friendless sheltered over 1,000 children "not consigned to institution life but...transferred by adoption to Christian homes." The Nursery and Child's Hospital provided free medical care and supported hundreds of unmarried pregnant women in return for an agreement "to remain three months after confinement to take care of two infants."<sup>32</sup> New York's 1,288 charitable organizations often employed professional managers, but their task was to coordinate activities of tens of thousands of volunteers who provided food, clothing, fuel, shelter, and employment; supported free schools and kindergartens; organized sea excursions and summer camps; staffed free hospitals and dispensaries; and constructed missions, reformatories, libraries, and reading rooms.

### **Work Tests and Investigation**

For all these groups, "compassion" meant the right to work but not the guarantee of provision without work. Charities throughout the country offered "work tests" - one of two major categorizing devices of the late 19th century compassion - for the able-bodied homeless: transient men willing to chop wood for an hour or two generally received two meals a day and a night's lodging, while married men received food and money for rent and clothing. Women typically received seats in "sewing rooms;" garments made were donated to the helpless poor or to families suffering from the effects of hurricanes or tornadoes.

The "work test" was occasionally criticized by those who believed charity should be "unconditional," but most ministers believed "If a man will not work, he shall not eat'...Is it, we ask, a very hard-hearted thing for the public to required an equivalent of

labor, from those who are able to give it, in return for the relief which they receive? Is it unchristian? Is it not in the sweat of his brow that man is to eat his bread? Is not the Commandment, 'Six days shalt thou labor?'"<sup>33</sup>

The other categorizing mechanism was investigation, often involving a home visit by an agent or trained volunteer to make sure the needs were genuine and relatives could not help. Categorizing applicants was vital if compassion was to include a realistic dose of challenge. In Boston in a typical year, 895 volunteers visited 2,094 families requesting relief, finding 18% "worthy of continuous relief" because of old age, incurable illness, or orphan status; 23% "worthy of temporary relief" because of accidents, illness, or short-term problems; 33% able to work but involuntarily unemployed, or "shiftless or intemperate where reform may be hoped for" (these were sent to employment bureaus); and 26% "unworthy" of support because property or relatives could be relied on, or because work tests and investigation indicated no "desire to change."

Through the Associated Charities of Boston, 817 found and accepted jobs while 278 refused them - "98 refusals with good reason, 170 without." Associated Charities also gave loans to 81 persons, legal aid to 62 persons, and medical help to 304, and influenced 53 relatives to offer aid. Volunteers helped 185 families save money and 144 alcoholic breadwinners make progress toward temperance; and nearly 600 children were placed in adoptive families, nurseries, or industrial schools.<sup>34</sup>

Emerging large organizations also emphasized person-to-person instruction rather than distribution of alms to those able to work. "Compassion" at Salvation Army shelters meant not the provision of permanent housing, but encouragement of good work habits so clients would be prepared for regular jobs.<sup>35</sup> At the turn of the century, Army bureaus placed about 4,800 persons per month.<sup>36</sup> Salvationists emphasized change not only in job habits, but in thoughts as well, claiming 50,000 or more religious conversions in 1900 alone; a spin-off organization, Volunteers of America, claimed thousands more.

"Sacrifice" was a word written in raised letters in Salvation Army lexicons. Its newspaper, *War Cry*, prominently displayed declarations of church leaders concerning the "self-sacrifice not short of heroism which [the Salvation Army] has evoked in hundreds."<sup>37</sup> What kept such declarations above the level of mere sentiment was wariness concerning "sentiments of emotional affection,"<sup>38</sup> and a focus not only on profession of faith but on repentance and follow-up, including practical movement away from bearing grudges and slandering others.<sup>39</sup> Those who came to the Army's woodyards were told it could be a new start if they took the responsibility for their past failures and renewed prospects.<sup>40</sup> Ballington Booth, son of Salvation Army founder William Booth, scoffed at schemes for reform apart from character change and argued that "Hard work and simple religious truth" were the key weapons for a successful war on poverty.<sup>41</sup>

1. The newspapers: *New York Times*, *Washington Post*, *Washington Times*, *Chicago Tribune*, *Los Angeles Times*.

2. Steven Burger quoted in *Moody Monthly*, May 1990, p. 19.

3. Noah Webster, *American Dictionary of the English Language* (New York: N. and J. White, 1834), p. 167.

4. Luke 15:18-21. The parable of the Prodigal Son is a particularly good example of the virtually simultaneous offer of compassion and acceptance of the need to change.

5. Ralph and Muriel Pumphrey, eds., *The Heritage of American Social Work* (New York: Columbia University Press, 1961), p. 29.

- 6 . Benjamin Colman, *The Merchandise of a People: Holiness to the Lord* (Boston: J. Draper, 1736), from sermons preached in 1725 and 1726, n.p.
- 7 . The Earl of Shaftesbury, quoted by Gertrude Himmelfarb in *The Idea of Poverty: England in the Early Industrial Age* (New York: Knopf, 1984), p.37.
- 8 . Quoted in Himmelfarb, p. 32.
- 9 . Colman, *op. cit.*
- 10 . Citations of Hosea 12:8, Amos 8:5, Mic:2:1-3, Jer 22:13-17, Ezek. 22:29, and other verses indicate concern over injustice; frequent citing of Proverbs (such as Prov. 6:6-11, 10:15, 11:24-26, 13:4, 18:11, 19:15, 20:13, 21:25, 24:30-34, 28:19, and 30:24-28) shows animus toward sloth.
- 11 . Himmelfarb, p. 33.
- 12 . Robert H. Bremner, *American Philanthropy* (Chicago: University of Chicago Press, 1960), p. 14.
- 13 . Cotton Mather, *Bonafacius: Essays to Do Good* (Boston: J. Draper, 1710).
- 14 . Charles Chauncey, *The Idle-Poor secluded from the Bread of Charity by the Christian Law. A Sermon Preached in Boston, before the Society for encouraging Industry and employing the Poor, August 12, 1752* (Boston: Thomas Fleet, 1752), pp. 16-17.
- 15 . David M. Schneider, *The History of Public Welfare in New York State, 1609-1866* (Montclair, N.J.: Patterson Smith, 1969) p. 188.
- 16 . *Ibid.*
- 17 . D. Griffiths, Jr., *Two Years' Residence in the New Settlements of Ohio, North America: with Direction to Emigrants* (London: Westley and Davis, 1835), pp. 76-77.
- 18 . Alexis de Tocqueville, *Democracy in America*, Book 3, Chapter 1, 1945 Vintage edition (New York), II, p. 176.
- 19 . Nathan I. Higgins, *Protestants Against Poverty: Boston's Charities, 1870-1900* (Westport, Conn.: Greenwood, 1971), p. 27.
- 20 . Before the Civil War, medical relief for the poor was available in Manhattan through the New York, Eastern, Northern, and North-Western Dispensaries, the New York Eye and Ear Infirmary, and St Luke's Hospital. Groups such as the New York Female Assistance Society also provided "relief of the sick poor." Jewish groups such as the Ladies' Bikur Cholim Society relieved the "poor sick." Similar organizations formed in other cities, and informal help was available in small towns.
- 21 . Association for Improving the Condition of the Poor, *Twentieth Annual Report* (New York: AICP, 1855), p. 14.
- 22 . Suzanne Lebsock, *The Free Women of Petersburg* (New York: Norton, 1984), p. 215.
- 23 . William Ruffner, *Charity and the Clergy* (Philadelphia: Lippincott, 1853), pp. 142-143.
- 24 . *Ibid.*, pp. 144-146.

25. Greeley, *Hints Toward Reforms* (New York, 1854), p. 86.
26. Greeley agreed with statements by Unitarian leader William Ellery Channing citing "avarice" as "the chief obstacle to human progress...The only way to eliminate it was to establish a community of property." Channing later moderated his communistic ideas concerning property, but he typified the liberal New Englander's approach to the problem of evil, which was created by the way society was organized, not by anything innately evil in man.
27. *New York Tribune*, November 20, 1846.
28. *New York Courier and Enquirer*, January 20, 1847.
29. *New York Tribune*, March 26, 1847. For more discussion of Greeley's ideas and influence, see Marvin Olasky, *Central Ideas in the Development of American Journalism* (Hillsdale, N.J.: Lawrence Erlbaum, 1991).
30. *New York Courier and Enquirer*, April 16, 1847.
31. See, among other records, the second edition of the *Directory of the Charitable and Beneficent Organizations of Baltimore and of Maryland* (Baltimore: Friedenwald, 1892).
32. See *New York Charities Directory* (New York: New York Charity Organization Society, 1892).
33. S. Humphreys Gurteen, *A Handbook of Charity Organization* (Buffalo: Published by the author, 1882), p. 31.
34. In addition, 33 families and 37 single persons were sent from the city to places where they could be self-supporting (20 and 4, respectively, stayed in their new homes, and the rest returned). Homes in the city were found for 83 families or individuals; 16 families were broken up to save children from abuse; fraud was exposed 42 times.
35. *War Cry*, June 4, 1898, p. 7.
36. Norris Magnuson, *Salvation in the Slums: Evangelical Social Work, 1865-1920* (Grand Rapids: Baker Book House, 1977), p. 100.
37. *War Cry*, May 16, 1891, p. 8.
38. *Ibid.*, March 3, 1894, p. 7.
39. See, for example, *War Cry*, October 21, 1899, p. 5; August 17, 1901, p. 11; and October 3, 1908, p. 6.
40. *Ibid.*, February 22, 1908, p. 7.
41. Ballington Booth, *Ten Talks on the Salvation Army* (New York, 1910), pp. 62-63.

Chairman SHAW. Thank you.  
Mr. Greenstein.

**STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE  
DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES**

Mr. GREENSTEIN. Thank you, Mr. Chairman. Let me start by saying that I think there are some significant problems with some aspects of Mr. Rector's analysis. Maybe we could get into that in questions.

I note a couple of quick points. Some of the spending increase that he referred to was on the elderly and that poverty rate is a third of what it was in 1960. I would also note that a lot of the spending increases he referred to are on programs like food stamps and Medicaid that don't count in measuring poverty. Since we don't count them in determining, they can't be expected to lower the poverty rate, but that doesn't tell us they have failed.

Finally, most research finds that one, not the only, but one key point in poverty trends is wages. Wages for low-paid jobs rose smartly in the fifties, sixties, and early seventies, and have been eroding for about the last 20 years, and it is clear that the ranks of the working poor, people not on welfare working but getting paid low wages, are up.

But that is not what I came to talk today. What I would really like to talk about is that we be clear that we not take a series of issues that are separate issues and look at them as though they are a single issue. It seems to me among the key issues are, first, should there be more State flexibility? And the answer I think is yes. Should we be tougher in the requirements that we put on for work and for tracking down and collecting support from absent parents? Again the answer is yes. What about the question of cost? Should we cut costs?

This chart, which is simply data from the Entitlement Commission on which I serve, shows as we reached our bipartisan consensus that our big problems in cost in the entitlement area are health care and Social Security and eventually we have to deal with that. We did not spend a lot of focus on means-tested entitlements. They are not going up as a percentage of GDP.

In fact, the Entitlement Commission assumptions here are conservative in the sense that the latest CBO forecast projected after the year 2000 the means-tested entitlements will edge down as a share of GDP. You may choose, however, to cut costs in these programs, and the point I am trying to make is the following: Whether you want to give States more flexibility or not—hopefully you will—whether you are tougher in enforcing mutual responsibility, in work, collecting child support and the like, whether you decide to cut costs, one doesn't have to do a block grant to do any of those. Those are separate issues from whether one goes to a block grant or one maintains an individual entitlement status. All of those changes can be made within the structure of maintaining an individual entitlement. And I raise that because I think going to a block grant will have unintended effects that undermine some of the other reforms you very much want to do. Let me be clear before explaining what I mean about those unintended effects, that I am not suggesting that a mother who refused to work has an entitle-

ment that someone who refuses to track down an absent father has an entitlement.

What I am suggesting is for those who meet all the requirements and play by all the rules, that if one removes the individual entitlement there and goes to a block grant, other unintended consequences follow. Number one, and perhaps most important, is what would happen during a recession.

Let's take the Food Stamp Program as an example between June 1990 and 1992, the number of unemployed—the unemployment rose about 50 percent and the number of people on food stamps went up to 5 million. The food stamps were blocked and the State had a fixed amount of money in the beginning of the year. Either the need couldn't be met and we couldn't serve the unemployed or their children or States would have to meet 100 percent of additional need out of State money.

This could be a particular problem for States because their revenues contract during recessions and it could be a particular problem in terms of its effect on two-parent families because the group whose participation goes up most in recessions are two-parent families who work, lose their jobs during recessions and get their jobs back during recoveries.

This is coupled with the second unintended effect. No one, despite the best of intentions, knows how to design a formula for allocating block grant money among States in these programs that matches current need. If you do it based on the number of poor people in each State, the census data on that is always 3 to 5 years out of it.

If the unemployment rate went up in one State since then and down in another, the State with the highest unemployment would get too little money and the State with the robust economy would get too much money. If you did it based on what percent of the total Federal funds each State now gets, if you later have differing rates of employment growth in different States, the same problem results.

I will give you two specific examples. We look at the proposed food block grant and if, for example, the food block grant that is outlined in a later, recent document from the Republican Governors' Association were put into effect, that had been in effect 5 years ago, your State, Mr. Chairman, Florida, would have gotten 49 percent fewer food assistance funds in 1994 than it actually got.

Now, to be sure what reduction in total Federal funding and cost there is, we also analyzed it and said suppose the exact same amount of Federal dollars were put out to each State as were actually put out in 1994, simply because of their funding formula, Florida would get 29 percent fewer funds than it got. Other States would get 29 percent more.

Your State had some economic issues and population growth. You can't reflect that up to date in an allocation formula. One of the problems this could have is if you don't have enough money in some States to meet needs like recession, and States don't want people who can't—who otherwise couldn't pay the rent to be on the street, there is a real risk that States would cut funding for their work programs, their self-sufficiency programs, the kind of initia-

tives that you have heard Governors which are here say they want to do, those might be the things that get squeezed.

So the basic message I have—and I see my time is up, I will wrap up—is again these are separate issues. One can do more with flexibility. One can really strengthen mutual responsibility, require more movement toward work pattern establishment, child support collection. And if it is your election to do so, reduce costs without going into the block grant route, if you do, I think some of your effort to promote self-sufficiency will be compromised when States, especially during recession, have to cut back their self-sufficiency programs. I think the money will be allocated inefficiently. Some States get too much and some too little and have particular problems during recession.

I do hope these are seen as separate issues and each one is evaluated on their own merits.

Thank you.

[The prepared statement and attachments follow:]

**TESTIMONY OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR  
CENTER ON BUDGET AND POLICY PRIORITIES**

**Subcommittee on Human Resources  
House Ways and Means Committee  
January 13, 1995**

Thank you for this opportunity to testify on welfare spending, the entitlement status of certain low-income programs, and block granting. I am Robert Greenstein, executive director of the Center on Budget and Policy Priorities. In the late 1970s, I served as Administrator of the Food and Nutrition Service, the U.S. Department of Agriculture agency that administers the food stamp program and other food assistance programs. I recently served as a member of the Bipartisan Commission on Entitlement and Tax Reform appointed by President Clinton and the Congressional leadership.

**I. Overview**

In the past, there has been broad, bipartisan support for welfare reform efforts guided by the notion of "mutual responsibility." Under this view, able-bodied recipients of public assistance are expected to move toward self-sufficiency by participating in education or training activities, working, or looking for work. Government, for its part, provides services and supports to help recipients improve their prospects in the labor market and maintains a basic safety net beneath poor children and other vulnerable groups.

In recent months, the debate over low-income programs has veered far from this framework. Some have argued that public assistance programs should no longer be structured to ensure that benefits are available to each eligible person who applies; individuals who follow all program rules and demonstrate a willingness to work, and those who are unable to work, would no longer be assured of receiving assistance.

The Personal Responsibility Act (H.R. 4) and more recent proposals put forward by some Republican governors and members of Congress call for ending the entitlement status of safety net programs such as Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI) for the elderly and disabled poor, and food stamps. The Personal Responsibility Act also would place a number of these programs under an "outlay cap" that would require substantial reductions in the programs over the next few years. More recent proposals have suggested that a number of major means-tested entitlement programs should be converted to block grants established as discretionary programs or capped mandatory programs (making them like the Social Services Block Grant).

These proposals appear to be based on two basic premises: first, that "welfare spending" is out of control and cannot be curtailed as long as the targeted programs retain their entitlement status; and second, that block grants are needed to accord states increased flexibility. In fact: 1) welfare spending is not one of the major factors in our long-term deficit problems; 2) if Congress wishes to cut the cost of these programs, a block grant structure isn't needed to do so; and 3) a block grant structure isn't needed to accord states increased flexibility. Major changes in our welfare system are needed to promote work and personal responsibility and providing added flexibility to states makes sense in a number of areas. But removing the entitlement status of the programs would have profound consequences and, I fear, serious unintended effects.

As the Bipartisan Commission on Entitlements demonstrated, overall expenditures for entitlements are growing faster than our ability to pay for them. If action is not taken to address this problem, the nation will face serious fiscal difficulties in the early decades of the next century. It is important to recognize, however, that the



health care entitlements and Social Security are responsible for virtually all of the long-term rise in entitlement spending as a percentage of the Gross Domestic Product (GDP). Expenditures on programs like AFDC and food stamps are not driving the long-term rise in entitlement spending that will bedevil the nation in the decades ahead. (See Figure 1)

- According to the Entitlement Commission's estimates, between now and 2030, Medicare will rise from 2.4 percent of GDP to 7.9 percent. Medicaid will climb from 1.3 percent to 3.1 percent of GDP, while Social Security will rise from 4.8 percent to 6.7 percent.
- By contrast, the Commission projected that means-tested entitlements other than Medicaid will not rise at all as a percentage of GDP after the year 2000. In fact, the latest CBO forecasts suggests they will decline a bit as a percentage of GDP.

I would note that AFDC in particular (including cash benefits, emergency assistance, child support enforcement, Title IV-A child care, and "at-risk" child care) constitutes 2 percent of entitlement spending and 1 percent of total federal spending. When food stamp and Medicaid benefits for AFDC families are added in, the total rises, but remains a modest share of overall federal spending at three percent.

On a related note, while some believe the AFDC system provides overly generous benefits to recipients, the typical AFDC family of three receives between \$8,000 and \$9,000 annually in cash and nutrition aid, or less than three-quarters of the poverty line. While some AFDC families also receive housing assistance, most do not; three-fourths of AFDC families do not receive any federal housing assistance.

In short, spending on means-tested entitlements is not driving the deficit, and the benefits paid in these programs are not overly generous. When one looks at the combined AFDC and food stamp package, there have been significant benefit declines in recent decades. AFDC and food stamp benefits combined have fallen more than a quarter in purchasing power since 1970. The combined benefit package has now receded, in inflation-adjusted terms, to the level of AFDC benefits alone in 1960, before the food stamp program was created. (See appendix for more complete discussion.)

Still, Congress may decide to reduce spending on these programs. If Congress wishes to do so, it does not need to end the entitlement status of these programs. In 1980, 1981, and 1982, Congress made significant reductions in means-tested benefit programs without removing their entitlement status. Congress altered the eligibility and benefit rules in ways that saved substantial amounts. While reductions in benefits for poor families and elderly and disabled individuals would not be without significant consequences, Congress could follow this route again — and cut expenditures without block granting these programs — if it wished to do so.

#### *State Flexibility*

There also is growing support for increasing state flexibility in the administration of welfare programs; proponents of converting AFDC and other programs to block grants often argue such a change is necessary to ensure states are given substantial freedom to craft their own programs. Here, too, the basic premise is flawed; it is quite possible to expand state flexibility within an entitlement framework. Many of the rules currently governing these programs could be simplified or eliminated to give greater leeway to states. Ironically, as I will explain later, block grant plans might even have the perverse effect of *constraining* state flexibility because they are likely to leave states with insufficient resources to pursue work-based welfare reforms.

While ending the entitlement status of programs such as AFDC, SSI and food stamps is not necessary to reduce spending or increase state flexibility, this change would eliminate a defining feature of the safety net erected over the past six decades to

protect poor children, the elderly, and the disabled from destitution. The funding structure of the safety net is designed to ensure that these programs expand automatically to meet rising need such as during recessions. If the programs are converted to discretionary programs or "capped entitlements" that receive a fixed amount of funding each year, this critical feature would be lost. If funding proved insufficient in a given year, states would be forced to cut benefits, create waiting lists, or fill the gap entirely with state funds. A public assistance system structured in this manner would provide some aid to the poor, but it could not truly be called a "safety net." As a tight-rope walker would attest, a system of protection that is only in place some of the time offers little security.

## II. Recent Proposals

Programs such as food stamps and AFDC are currently structured as open-ended entitlements in part so they can respond to changes in need from what was expected at the beginning of the year. Under an entitlement structure, if the economy slips into recession and more families need food stamp assistance or AFDC, the programs automatically expand to ensure that all eligible families who apply receive assistance. Under both discretionary programs and capped entitlements, by contrast, states are provided a fixed amount of money at the beginning of the year, and this amount does not change if the economy grows weaker or stronger and need consequently rises or falls. Similarly, if the number of elderly poor rises and more people apply for SSI, that program automatically responds to this need but would not under the alternative structures under consideration.

There are several proposals currently being discussed that would result in eliminating the entitlement status of important means-tested safety net programs. Most of the debate on the Personal Responsibility Act (PRA) thus far has focused on its prescriptive provisions to deny basic income support to young mothers and their children and to end benefits for all families after five years. The changes in low-income programs set out in the Contract are, however, more sweeping. Several existing entitlements — AFDC, SSI and the child support enforcement program — would become discretionary programs and placed under a new outlay cap, which would also encompass low-income housing programs and the "at-risk" child care program for working poor families. These programs all would become subject to the annual appropriations process and then would also fall under the overall discretionary caps.

Under this proposal, the money appropriated for AFDC, would be distributed to states through the same matching-rate formula as under current law. If too little money was appropriated in a particular year to match state costs, however, the federal government at some point would stop distributing money for the program. In addition, the food stamp and child nutrition programs such as the school lunch program would be eliminated and a food assistance block grant would be established.

Proposals being advanced by some governors and Members also would convert means-tested entitlement programs into discretionary programs subject to the annual appropriations process. Instead of distributing the available funds through the current state matching-rate formula, however, as the PRA would continue to do, the programs would be converted to block grants.

Eliminating the entitlement nature of programs such as AFDC, SSI and food stamps would have profound consequences. It also would cause some serious adverse effects that its sponsors may not have foreseen.

- **If programs such as AFDC, SSI, and food stamps are converted to discretionary programs, it is likely that the funding reduction would be much larger than anticipated because of decisions made in the appropriations process. There has been discussion of block grants that**

freeze spending or cut funding by 10 or 15 percent. Over time, however, the actual reductions would almost certainly be much larger than that. When a discretionary block grant is described as being funded at a freeze level, for example, this means that the appropriations *ceiling* for the block grant is set at the freeze level. But the amount actually appropriated would likely be below the ceiling, as is true for most discretionary programs. Moreover, with Congress about to tighten the already-austere spending caps that govern the total amount that can be spent on discretionary programs (while raising spending on defense), domestic discretionary programs are likely to be squeezed hard in the years ahead. Programs such as AFDC (or a welfare block grant) that have weak political constituencies would likely fare poorly in the intense competition for the shrinking pot of funds available under the spending caps. Over time, the federal funds provided to states are likely to decline substantially.

- **If too little money is appropriated for AFDC, SSI, or food stamps (or similar block granted programs) funds could prove insufficient part-way through the year.** If the money for SSI ran out in July, what would happen to a poor elderly person who applied for assistance in August or September? Either that person would be refused assistance or put on a waiting list, or the state would have to pay the full cost of that person's aid. Some poor elderly or disabled people could be left with no means to pay for rent, utilities, or other basic necessities if the SSI program loses its entitlement status.
- **Discretionary programs cannot respond to the increases in need that occur during economic downturns.** Under the current financial structure for AFDC and food stamps, additional federal funds automatically flow into states when a recession hits and more families apply for aid. For example, between June 1990 and June 1992, as the national unemployment rate jumped from 5.1 percent to 7.7 percent, the number of people receiving food stamps rose by more than five million. If food stamps become a discretionary program, additional federal resources would not be available during a recession. A fixed amount would be allocated to a state at the start of a year. If unemployment subsequently rose and funding for food stamps or AFDC proved insufficient, states either would have to bear 100 percent of any additional cash and food assistance costs themselves or poor households would be left without basic assistance.

An example of the problems this type of approach can create is provided by a proposal developed by a group of Republican governors to replace the current federal nutrition assistance programs with a block grant to states. Under this proposal, the overall size of the block grant each year would equal the amount expended in these programs in FY 1994, adjusted for inflation. In addition, each state's share of the total federal appropriation would equal its share of federal food assistance spending in fiscal year 1993.

Had this proposal been enacted in 1989, federal food assistance funding for states would have been 29 percent lower in fiscal year 1994 than it was under the existing food assistance programs. States would have lost at least one-fifth of their federal nutrition funding, and some states — such as Florida and California — would have lost almost half. Between 1989 and 1993, unemployment and poverty climbed substantially. The states in which need rose the most rapidly would have experienced the most severe shortfalls in funding.

This would pose serious problems for states. State revenues shrink during economic downturns, and many state programs are cut. If states are left without sufficient federal funds for programs such as AFDC and food stamps during a recession, states would be forced to choose between raising taxes (or cutting other programs more deeply in recessions) to address the mounting need, instituting across-the-board benefit cuts, making some categories of needy families and children ineligible for the rest of the year, or placing poor families that recently lost their jobs on waiting lists for aid.

It is worth noting that if states instituted waiting lists, two-parent families could be significantly affected. The subpopulation whose participation in AFDC and food stamps rises most sharply in recessions is two-parent families.

- **The loss of the automatic increase in federal funding during a recession would weaken the national and state economies.** The food stamp and AFDC programs function as what economists call “automatic stabilizers” — federal programs that moderate economic downturns by infusing more purchasing power into national, state and local economies when recession sets in. If these programs become discretionary programs or capped entitlements and insufficient funds are available to meet the increased need, the automatic stabilizer role played by these programs would be significantly diminished or lost altogether. This is especially troublesome in the case of the food stamp program, which is one of the most important automatic stabilizers in the federal government’s recession-fighting arsenal. Ending the entitlement status of these programs is therefore likely to make recessions somewhat deeper and more protracted.

#### *Block Grant Proposal Presents Additional Problems*

The problems described above would affect any plan that ended the entitlement status of safety net programs. Converting AFDC and food stamps into discretionary block grants presents additional difficulties as well. These include the following:

- **A block grant structure would misallocate funds among states.** Any formula that could be used to allocate block grant funds among states would be based on data for a year in the past; the formula would not be able to reflect economic and demographic changes since that time. States whose economies had grown robustly since the year in which the data were collected would receive more funds than warranted, while states where economic conditions had deteriorated would receive too little.
- **Of particular concern is the fact that during a recession, the hardest-hit states would likely be subject to a “triple whammy.”** First, there would be insufficient federal funds flowing into the states, since the federal funding level would not automatically rise with a recession. Second, the allocation formula would not recognize the depth of the downturn in states that had been hit hardest. Finally, the states hit hardest by the recession would generally face large declines in state revenues and be among the states least able to provide state funds to respond to the additional need the downturn had created.
- **It would be problematic to develop a formula for allocating block grant funds among the states.** If the formula reflected current expenditure patterns, it would penalize states with low benefit levels and risk locking them into that status permanently. Moreover, if the formula gave each state the same percentage of federal funds that it currently receives, this

would fail to recognize the differences that will occur among states in coming years in unemployment levels, rates of population growth, demographic changes, and wages. If the formula attempted to adjust for these factors, it would be out-of-date (as noted above), always reflecting economic and demographic conditions several years earlier.

Setting each state's share of block grant funds equal to its share of federal food assistance spending in an earlier year would lead to large inequities over time. This can be seen by looking at the distribution of federal food assistance funds to states in fiscal year 1989 and fiscal year 1993. Suppose the percentage share of funds each state received in fiscal year 1993 were held to the same level as in fiscal year 1989. What would have happened? Even if the total amount of funds distributed nationally remained unchanged, in 37 states the amount of funds they would have received under the fixed approach differs by more than five percent from the amount actually received. Delaware, for example, would have received 15 percent less in federal funds than it actually received; Florida would have lost 29 percent of its funds; California would have lost 21 percent. Meanwhile, Wisconsin would have been granted 19 percent more than it received under current law, while Michigan would have received 13 percent more.

#### *Capped Entitlements*

Some have argued that structuring welfare block grants as "capped entitlements" rather than discretionary programs would avoid the funding problems otherwise posed by a block grant. Under a capped entitlement, states would be entitled to their respective shares of a fixed amount of federal block grant funding each year. Low-income families would *not* be entitled to benefits; no additional federal funds would flow into a state if the number of eligible families rose, such as during a recession.

Under a capped entitlement, a state's federal funding would remain fixed for the year just as it would under a block grant structured as a discretionary program. Indeed, a block grant structured as a capped entitlement differs in only one respect from a discretionary block grant. The capped entitlement status is thought to afford protection against further reductions in block grant funding in the appropriations process. Otherwise, the two approaches are identical.

As with a discretionary block grant, the fixed amount of federal funding available under a capped entitlement would be allocated among states in accordance with some type of formula. All of the problems described above regarding allocation formulas would hold true here as well. Some states would receive too much, while others would get too little, especially when their economies turned down.

It is also not clear how much protection a capped entitlement structure provides from reductions in the appropriations process. Under federal budget rules, appropriators can lower the appropriation ceilings on capped entitlements and use the savings to meet the discretionary spending caps or fund other discretionary programs. While such action has not frequently been taken in the past, it could become a more inviting route for appropriators in the future as the discretionary caps tighten. In addition, appropriators could simply appropriate less than the capped amount. This has happened in the past with the Social Services Block Grant.

It is of note that low-income programs that are capped entitlements have been subject to larger funding reductions in recent years than have low-income discretionary programs. For example, the Social Services Block Grant, converted in the early 1970s from an open-ended entitlement to a capped entitlement, has fallen about 60 percent since then, after adjusting for inflation. Total appropriations for all low-income programs that are capped entitlements have declined nearly 20 percent since 1981, after adjusting for inflation.

By contrast, total appropriations for low-income discretionary programs have declined seven percent over this period in inflation-adjusted terms.<sup>1</sup>

*"Means-Tested Outlay Cap" Would Lead to Large Cuts in Means-Tested Programs*

In addition to ending the entitlement status of key means-tested programs, the Personal Responsibility Act would place a new cap on aggregate expenditures for several of these programs, including AFDC, SSI, the child support enforcement program, and the "at risk" child care program for low-income working families.

The cap governing these programs would be set at a level well below what the programs would cost under current law: total spending on the capped programs would need to be cut by almost \$26 billion between 1997 and 1999 to fit within the cap. If the cuts were distributed proportionately across the capped programs, SSI alone would be cut \$10.5 billion in this three-year period, including a cut of \$5.1 billion, or 15 percent, just in fiscal year 1999. To achieve these cuts, it would be necessary to reduce benefits or deny assistance to eligible individuals.

It is worth noting that the PRA's outlay cap differs in an important way from most previous proposals to cap entitlement spending. Earlier plans proposed to place a cap on total spending for *all* entitlements or all entitlements except Social Security. The provision in the PRA is unique in that its cap excludes entitlements not targeted on the poor and places under the cap only programs for those at the bottom of the income scale. This proposal seems particularly inappropriate given that means-tested entitlements are not driving the overall increase in entitlement spending.

### III. Increasing State Flexibility Within an Entitlement Framework

The PRA imposes significant new requirements on states — such as creating 1.5 million work slots for AFDC recipients by 2001 — while providing fewer resources. Some recent proposals to block grant AFDC and the food programs are viewed as an alternative to the numerous prescriptive requirements in the PRA — a means of providing states with greater flexibility in designing and implementing welfare programs. It is a mistake, however, to think that converting entitlement programs into discretionary programs is the only means to expand state flexibility in designing welfare programs. Providing states with enhanced flexibility within an entitlement structure would avoid the drawbacks of block grants.

*The Shape of a Redesigned Federal-State Partnership*

If the federal-state AFDC partnership is to be redesigned to give states greater flexibility within an entitlement framework, policymakers at both levels of government will need to engage in a serious debate about the appropriate role of the federal government in the new system.

The federal government could pare back the AFDC requirements currently imposed on states. For example, states could be free to develop their own rules concerning matters such as how income is treated when determining AFDC eligibility and benefit levels; reporting requirements; treatment of vehicles, lump sum payments, and other resources; and budgeting rules.

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<sup>1</sup> This excludes subsidized housing programs which are an anomaly. Appropriations for subsidized housing programs have fallen substantially since 1981, but actual expenditures for these programs have risen substantially over the same period. This seeming contradiction reflects the unique features of the fiscal structure of the housing programs.

In addition, the federal government could require states to provide services that help able-bodied welfare recipients move toward self-sufficiency and to operate tough child support enforcement programs to ensure that absent parents fulfill their obligations. States should have substantial freedom to design the specific contents of these programs. They also should be allowed to impose reasonable obligations on recipients — for example, to participate in education, training or work programs and to cooperate with child support enforcement agencies — and to assess reasonable penalties when recipients fail to meet these expectations.

In a limited number of areas where a pressing national problem exists and research has identified a promising approach, the federal government might require that states follow a particular model (as long as sufficient funding is made available). For example, it may be appropriate for the federal government to require that teenage parents on welfare be required to live with responsible adults and to attend school if they have not obtained a diploma.

Other than in these areas, few federal rules need apply. The federal government would establish some basic rules — such as that recipients who are willing to work and meet all requirements receive either cash assistance or a work slot and that poor children not be denied assistance. The federal government also would continue to match state benefit expenditures, as it now does; the individual entitlement structure of the program would be maintained.

Finally, federal funds should support research and evaluation activities to identify effective program strategies and technical assistance to ensure that states can apply lessons from the research.

Granting states broad flexibility within an entitlement structure would likely provide states greater flexibility than a block grant. Under a block grant, if a state received significantly less federal funding than it would if the program remained an entitlement, the state could be forced to curtail innovative work or self-sufficiency programs. Suppose a recession hit and a state's caseload climbed. To provide basic benefits and keep families from becoming destitute a state could slash spending for work programs or cut back other initiatives designed to promote self-sufficiency. Although states could choose to deny aid to eligible families (since the programs would no longer bear entitlement to individuals) states may be unwilling to deny basic support to a family that, without the assistance may be unable to pay rent. In short, if states receive limited federal resources under a block grant structure, they may be unable to implement many of the initiatives for which they have sought permission through the waiver process — such as expanded earnings disregards so AFDC families can keep more of their earnings when they go to work, more realistic asset rules that former Secretary Kemp (among others) has advocated, and expanded work programs so more families may be subject to work requirements.

## APPENDIX: Welfare Spending

Recent arguments that federal “welfare” spending is both excessive and ineffective have sometimes relied on a few highly publicized but questionable assertions — that the federal government has spent \$5.3 trillion on “welfare” programs since 1964 without decreasing poverty and that the typical AFDC family receives \$15,000 in benefits per year. This Appendix examines these assertions about welfare spending in detail. It focuses on three issues: 1) the current level of spending on programs targeted to low-income people and the extent to which these programs conform to the popular definition of “welfare”; 2) the total amount that has been spent on low-income programs during the past few decades and the effect of this spending; and 3) the benefits received by the typical family on AFDC.

### I. Total Spending on Means Tested Programs

According to the Congressional Research Service, the federal government spent \$208 billion on programs that target their benefits or services on low-income people in 1992. This represented 15 percent of federal outlays. These programs included cash assistance, medical aid, nutrition assistance, education funding, housing assistance, job training, and energy aid. The largest component of the federal spending on low-income programs was medical aid, mainly composed of Medicaid. Medical aid comprised 38 percent of federal spending on means-tested programs and grew at a faster rate between 1990 and 1992 than any other component of low-income programs. Non-medical related spending on means-tested programs totaled \$129 billion, or nine percent of total federal spending.

While the CRS list provides useful information on expenditures for low-income programs, the programs included in its analysis go far beyond the popular image of “welfare.” The list includes numerous programs that provide services, not income assistance, to low income people. Programs such as job training through the Job Training and Partnership Act (JTPA), and Head Start do not provide cash, food, housing, or similar aid that help poor families purchase basic necessities.

It also is important to recognize that many of the programs on the CRS list serve low-income families, households and individuals who do not receive AFDC. In fact, many of the recipients of these programs have incomes above the poverty line. For example, the earned income credit will provide benefits to families with children whose incomes fall below \$28,600 in tax year 1996. Similarly, the Supplemental Feeding Program for Women, Infants and Children (WIC) provides nutrition assistance to recipients whose family incomes equal up to 185 percent of the federal poverty line.

#### *Low-Income Entitlement Spending*

As Table 1 shows, in 1994 the federal government spent \$177 billion on means-tested entitlement programs.<sup>2</sup> Table 1 also shows (for programs where such data are available) the percentage of spending in each program that goes to families receiving AFDC and to elderly and disabled people. Of note:

- Only 18 percent of Medicaid spending — the largest means-tested entitlement program — goes for health care for AFDC recipients. The average cost of Medicaid services for a child receiving AFDC is only about one-quarter the cost of caring for an elderly Medicaid recipient and about one-seventh the cost of caring for a disabled individual.

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<sup>2</sup> Congressional Budget Office, “The Economic and Budget Outlook: Fiscal Years 1996-2000, A Preliminary Report,” January 1995.



- Spending on AFDC (including AFDC benefits, emergency assistance, child support enforcement, Title IV-A child care, and “at-risk” child care), food stamp benefits for AFDC families, and Medicaid spending on AFDC families totaled about one-quarter of means-tested entitlement spending and about 6 percent of all entitlement spending.
- The proportion of total means-tested entitlement spending that represents spending on low-income elderly and disabled persons is much higher, about 46 percent.<sup>3</sup>

Thoughtful reform is needed to control the costs of entitlement spending. It is a mistake, however, to look at non-medical means-tested entitlements such as AFDC, food stamps, and SSI as the culprit for rapid entitlement growth.

## II. What Does It Mean That We’ve Spent “\$5 Trillion” on “Welfare Programs” Since 1964?

In testimony submitted to this Subcommittee on August 1994, Robert Rector of the Heritage Foundation stated that “Since the onset of the War on Poverty, the U.S. has spent over \$5.3 trillion on welfare. But during the same period, the official poverty rate has remained virtually unchanged...”

To come to a figure of \$5.3 trillion, “welfare spending” has to be defined in its broadest terms to include any means-tested program, including programs that confer a significant amount of benefits on families above the poverty line. As noted earlier, such a definition goes far beyond the common conception of “welfare.” Furthermore, when considering what such a figure means, it is important to place it in context.

- Total federal spending over the past thirty years had totaled more than \$31 trillion (in 1993 inflation adjusted dollars) while total GDP over that period has equaled almost \$143 trillion.<sup>4</sup>
- Even if one accepts Mr. Rector’s definition of “welfare spending,” his figure suggests that 16 percent of total federal spending — and 4 percent of total GDP — over the past 30 years has been spent on means-tested programs.
- Combined federal spending since 1964 on AFDC, Medicaid, SSI, and nutrition programs that are entitlements totaled about \$2 trillion. While this is a large dollar amount, it amounts to less than 1.5 percent of total

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<sup>3</sup> Data for the Food Stamp Program are from *Characteristics of Food Stamp Households, Summer 1992* issued by the U.S. Department of Agriculture. Data for Medicaid are from “Medicaid Expenditures and Beneficiary Trends, 1988-1993” by John Holahan, David Liska, and Karen Obermaier. The Food Stamp data do not indicate the amount of food stamps that go to elderly and disabled individuals. Instead, the data indicate the value of food stamp benefits that go to households including an elderly or disabled person. Thus the full value of food stamp benefits going to these families are included in this calculation leading to a somewhat higher estimate. However, the estimated proportion of food stamp benefits going to elderly and disabled persons represents only 4 percent of the estimated total value of benefits going to elderly and disabled people. It should be noted that benefits going to elderly and disabled people are not wholly independent of benefits going to AFDC families. An AFDC family could include a member who receives SSI. In such a case, that family member would not be included in the AFDC unit and, therefore, would not actually be an AFDC recipient, but the family would receive income from both the AFDC and SSI programs.

<sup>4</sup> In this section, all dollars are presented in 1993 dollars using the GDP implicit price deflator. This year was selected so that the numbers would be comparable to those used in Robert Rector’s August 1994 testimony.

Gross Domestic Product (GDP) and about 6.6 percent of total federal outlays over that period.<sup>5</sup>

- Spending on AFDC alone over the past 30 years has totaled less than 1.5 percent of federal outlays during this period.

It bears noting that the Heritage Foundation suggests this spending has been of little worth because the official poverty rate has remained unchanged since the War on Poverty began. This statement is problematic for several reasons.

First, a large fraction of this spending consists of programs that assist families without increasing their cash incomes. Since non-cash benefits are not counted in measuring poverty, the effects of these programs obviously cannot show up in the poverty statistics. This therefore provides no evidence that such programs are ineffective. For example, programs like food stamps help families purchase food but do not reduce officially measured poverty. Medicaid also does not show up in the poverty statistics.

Moreover, programs like Medicaid are not designed to foster self-sufficiency, and enable people to work their way out of poverty. It is designed to serve other purposes. Medicaid does not provide skills training for recipients; rather, it provides health care coverage for many people who could not otherwise afford it. It should not be expected to reduce poverty rates.

Also of note, some programs that do provide cash assistance provide benefit levels so low that they reduce the *severity* of poverty but do not lift households *out* of poverty. The average AFDC family of three receives maximum benefits equal to 42 percent of the poverty line. Similarly, federal SSI benefits, by themselves, are too low to lift a family from poverty. In 1993, federal SSI benefits for an individual equalled about 75 percent of the poverty line and about 90 percent for a couple.

In addition, it is not accurate to portray the poverty rate as remaining “virtually unchanged” since the War on Poverty began. When strong economic growth leading to real wage growth across the income distribution was coupled with more generous antipoverty programs, poverty did respond. Between 1964 and 1973, the poverty rate fell from 19 percent to 11 percent, and the number of poor dropped by more than 13 million people.

Since 1977, however, the poverty rate has drifted upward. In 1977, some 11.6 percent of the population was poor. In 1993, the poverty rate stood at 15.1 percent. The years 1977 and 1993 are appropriate years to compare because they came at similar points in the economic cycle.

The major factor behind the upward drift in poverty appears to be fundamental shifts in the economy, not excessively generous anti-poverty programs. During this period, falling wages and declining job opportunities for lower skilled workers contributed to rising poverty rates.

- In 1979, some 12.1 percent of full-time year-round workers earned too little to lift a family of four out of poverty (1977 data are not available). By 1993, some 16.2 percent of these workers had earnings this low. The average hourly wages for non-supervisory jobs also fell by 14 percent from 1977 to 1993, after adjusting for inflation.

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<sup>5</sup> For AFDC spending the Congressional Budget Office mandatory spending category entitled “Family Support” was used for this calculation. The Family Support category includes AFDC cash payments as well as the child support enforcement program, emergency assistance, child care expenditures for AFDC recipients, and the “at-risk” child care program that provides child care subsidies to low-income working families.

- Similarly, in 1993, the proportion of families with children in which the head of the household worked but the family was still poor stood at 11.4 percent; by contrast, in 1977, some 7.7 percent of such families were poor.

In addition to declining labor market prospects for those at the bottom of the income spectrum, changes in family structure have contributed to the increase in poverty. Female-headed families were both a larger proportion of all families and of poor families in 1993 than in the late 1970s. At the same time, however, the effect of the growing number of female-headed families on poverty trends in the past 20 years is sometimes exaggerated. During this period, the average size of female-headed families became smaller and poverty also increased among two-parent families. As a result of these and other trends, the proportion of poor people living in female-headed families has remained fairly steady since the late 1970s. Census data show that 37.2 percent of all poor people lived in female-headed families in 1977. In 1993, some 37.3 percent did.

A weaker safety net also has contributed to the rise in poverty for some groups. In 1993, fewer than one in every seven children who were poor before receipt of government benefits were lifted from poverty by these benefits.<sup>6</sup> In 1979, nearly one in five children who were poor before receipt of benefits were lifted from poverty by them. (These data are not available for 1977.)

### III. What is the Value of Benefits Provided to AFDC Families?

The Heritage Foundation and others have claimed that AFDC families receive benefits totaling \$15,000. The income most recipients have to meet their basic needs, however, is in fact, considerably lower.

- In 1994, the average AFDC family of three was eligible for a maximum of \$415 per month, or \$4,980 per year, in cash assistance.<sup>7</sup> Nearly three-quarters of all AFDC families included three or fewer members.
- Most AFDC families also receive food stamps. A family of three that received \$415 in AFDC benefits would receive about \$249 in food stamps.<sup>8</sup>
- Together, an average AFDC family of three receives a total of \$664 per month or \$7,968 per year in food stamp and AFDC benefits. This represents two-thirds of the poverty line.

AFDC recipients do, however, receive other benefits and services in addition to food stamps. Most notably, AFDC recipients are "categorically eligible" for Medicaid.

Medicaid provides an important service to AFDC families. However, it is inappropriate to count Medicaid costs as "income" for families on AFDC. Medicaid payments go to doctors and hospitals, not AFDC recipients, and cannot be used to meet basic expenses such as food, shelter and clothing. Furthermore, a family that has

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<sup>6</sup> This decline in the proportion of children raised from poverty by government benefits is likely to reflect the combined effect of benefit reductions and wage erosion. Declining wages left many working families with children further below the poverty line, thus reducing the chances that the combination of wages and government benefits would lift them to the poverty line.

<sup>7</sup> This was calculated by taking the weighted average of the maximum AFDC benefit levels for a family of three in each state in 1994. The number of AFDC families with three members in each state in 1992 (the last year for which the data are available) was used as the weight. The median maximum AFDC benefit for a family of three was a very similar \$420.

<sup>8</sup> This was calculated using the average shelter deduction for food stamp households that also receive AFDC.

numerous medical problems and, therefore, produces higher Medicaid costs for the government does not have more "income" with which to pay rent than a similar family receiving AFDC that does not have such high medical expenses. Including Medicaid in the calculations of the income available to AFDC recipients would be inconsistent with how other health assistance is described; most do not consider the value of their employer-provided health care coverage when stating their income level; and few favor including the value of such coverage in their taxable income.

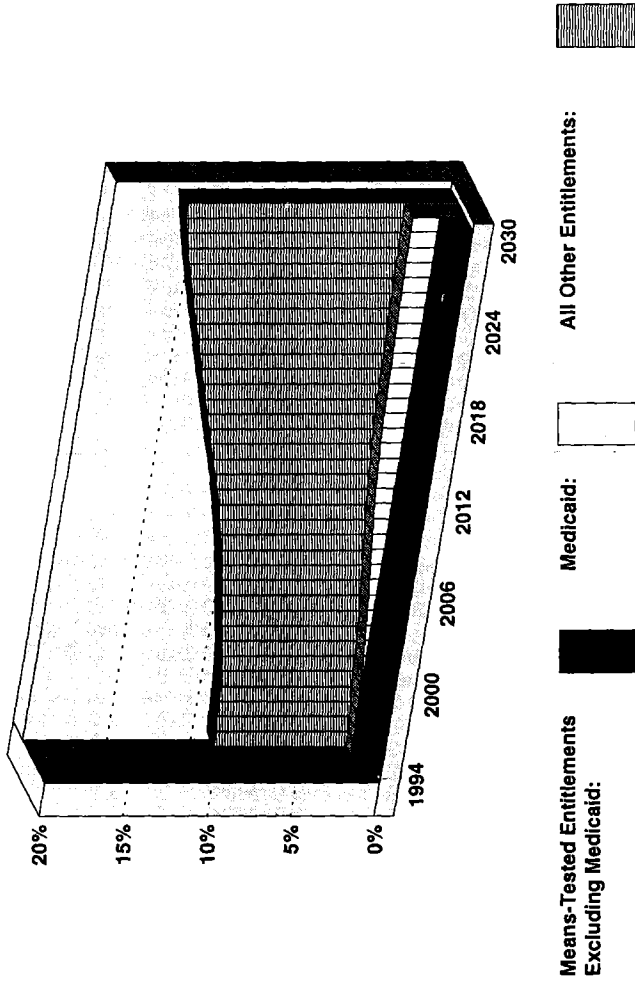
In addition to Medicaid, some AFDC families receive assistance through the Women, Infant, and Children Supplemental Feeding Program (WIC), the School Lunch Program, and subsidized housing. Unlike Medicaid (which provides medical insurance), these programs are more like cash assistance — they help families meet monthly budgets. But benefits in WIC and the school lunch program are modest. And while housing benefits are larger, most AFDC families do not receive them. Only one quarter of AFDC recipients receive housing assistance.

The three-quarters of families receiving AFDC who do not receive housing assistance must pay for food, clothing, shelter, and transportation with a family income that averages between \$8,000 and \$9,000 per year for a family of three, depending on whether the family receives WIC and free school meals. When the amount AFDC families that receive housing assistance appear to save on housing costs is factored in, even these families remain below the poverty line.<sup>9</sup>

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<sup>9</sup> An average AFDC family of three that receives housing assistance pays about \$100 per month for housing related costs while the average U.S. household with income of between \$5,000 and \$10,000 spends \$345 per month on housing. Thus, at first glance the housing assistance appears to effectively increase the family's income by \$245. However, because food stamp benefits are partially determined by a family's housing costs, the food stamp benefits of a typical AFDC family of three that receives housing assistance would be reduced so that the housing assistance effectively raises an AFDC family's income by \$206 per month.

**FIGURE 1:  
FEDERAL ENTITLEMENT SPENDING AS A PERCENT OF THE ECONOMY  
1994 - 2030**



SOURCE: Center on Budget and Policy Priorities calculations based on data from the Bipartisan Commission on Entitlement and Tax Reform and the Congressional Budget Office, January 5, 1995.

Table 1: Federal Means-Tested Entitlement Programs - 1994

Means-Tested Entitlements	Benefit or Service Provided	Population Served	1994 Federal Spending	Program Spending as a % of Total Entitlement Spending	Program Spending as a % of Total Total Federal Outlays	% of Program Spending That Goes To AFDC Recipients	% of Program Spending That Goes To Elderly and Disabled
Medicaid	health care coverage	AFDC and SSI recipients Low-income children "Medically Needy" persons	\$82 billion	10.4%	5.6%	18%	67%
Food Stamps	in-kind nutrition assistance	Households with incomes below 130% of poverty	\$25 billion	3.2%	1.7%	54%	13%
SSI	cash aid	Poor elderly and disabled	\$24 billion	3.0%	1.6%	0% *	100%
Family Support	cash aid (AFDC), child support enforcement, child care	Poor families with children	\$17 billion	2.2%	1.2%	100%	0% *
EIC** (refundable portion only)	refundable tax credit	Families with children that have incomes below \$28,550 (in 1996)	\$11 billion	1.4%	0.8%	data not available	data not available
Child Nutrition	school lunches, school breakfasts, child care feeding, etc	Children with incomes below 185% of the poverty line	\$7 billion	0.9%	0.5%	data not available	0%
Other	veteran's pensions, student loans, and other smaller programs		\$9 billion	1.1%	0.6%	data not available	data not available
<b>Total:</b>			\$177 billion	22%	12%	Estimate: 26%-33%	Estimate: 46%-50%

\* Note: An SSI recipient can not also receive AFDC. However, a family may include both AFDC and SSI recipients. For example, in a three person family, two people may be part of an AFDC case while the third receives SSI due to that individual's disability.

\*\*Note: The earned income credit was expanded under the 1993 Omnibus Budget Reconciliation Act. In Tax Year 1996, the expansions will be fully phased-in. Because most EIC recipients receive their credit after filing their annual tax return, the majority of the budgetary impact of the EIC is felt in the fiscal year following the tax year. By FY 1997, the refundable portion of the EIC is projected to cost \$23 billion.

SOURCE: Congressional Budget Office, "The Economic and Budget Outlook: Fiscal Years 1996 - 2000, A Preliminary Report," January 5, 1995.

Mr. SHAW. Thank you, Mr. Greenstein.

Does anyone on the Republican side care to inquire? Democrats? Mr. Ford.

Mr. FORD. Thank you very much, Mr. Chairman.

Mr. Greenstein, we have heard testimony from Governors here today and we had a couple of Governors—three Governors before the Full Committee yesterday, and Governors are suggesting that they would be able to maintain their stake in that program and expand the welfare-to-work initiatives with the funding allowed under the block grant structure.

And I have listened to your testimony. It is clear that you disagree with that and with the Governors' suggestion here with the program. That is not to say that you don't fully support moving people off of welfare into the work segment and, especially possible, the private sector.

Job creation and job opportunity you would be a strong advocate for that, but disagree with what the Governors are suggesting that there be a safety net for the poor.

Mr. GREENSTEIN. Mr. Ford, I am not an advocate of the status quo in the welfare system. I strongly support moving people off of welfare into work and I strongly support more flexibility in many areas for the States.

But I have been talking myself directly to some Governors as well as to their staffs and there are many of both parties who are very fearful of what would happen in a recession if these programs, AFDC, especially food stamps, were blocked and could not respond to the increase in need in a recession.

Let me be very clear, if you take a program like food stamps and even AFDC, the increase in need during recession is not primarily from people who are long-term poor, who are sometimes described as members of the underclass. I am talking about working families that in normal years aren't on welfare. They lose their jobs. They temporarily need some assistance and they get back on their feet and get off.

Those are the last people we should want to shut out and if you have a block grant in a recession, a State is forced to choose between cutting everybody across the board, instituting waiting lists, and those people can't get on, or raising taxes in the middle of the recession.

We did what I think was a few years ago widely regarded as the leading study on what did States do to respond at the State level, State budgets to respond to the recession in 1991 and 1992. And what we found was whether the Governor was Republican or Democrat, liberal or conservative, all Governors—in most States they were so tightly squeezed in the recession because States have to balance the budget in the recession and the revenues decline, that there were large and disproportionate reductions in aid including for the working poor and the homeless in many States during the 1991 and 1992 recession because they couldn't make ends meet.

And one of the things that helped those Governors was at least the Federal funding for things like food stamps and AFDC was there to help meet the additional need during recessions. If we pull that out from Governors, I believe that some of the very Governors who were here before you this week calling for block grants will

come back begging for help in the next recession. And if we have a balanced budget constitutional requirement and various caps, it is going to be very difficult to reverse gear at that point.

So that is why I am saying I am not calling for more money or less flexibility. Under the current structure, they go up in recession, they go down in recovery. That makes sense.

Mr. FORD. Well, Mr. Rector talked about the \$5 trillion and which you addressed somewhat in your opening statement on Federal poverty programs since the sixties, since the seventies, rather. Can you elaborate a little bit more on some of the programs, because I have a list of the programs that Mr. Rector made mention of and what we are really talking about is block granting the welfare program under the Contract With America, i.e., food programs for non-AFDC recipients, that apply to the elderly, housing assistance, other means-tested educational programs, the Pell Grant Program, and financial aid programs for college students as well.

Would you just elaborate briefly. My time is almost expired.

Mr. GREENSTEIN. Let me just say, \$5 trillion is a large number. Now, total Federal spending, this covers so many years, was over \$30 trillion during that period. Mr. Rector's figures account for less than a sixth of Federal spending during that time. And they include things like SSI for the elderly and disabled which has helped reduce poverty there. They include things like food stamps.

If we were to count food stamps in determining who is poor as though it were income, the poverty rate would be lower. We don't count it so it is not fair to say that food stamp spending went up. Medicaid spending went up. Poverty income didn't come down. They don't count when we measure who is poor and who is not.

But the evidence is pretty clear that there has been a significant reduction in the gap in nutrition between the poor and the rest of society as food programs expanded. There is a lot of research indicating that Medicaid has contributed to reductions in infant mortality and better prenatal and pediatric care. That doesn't mean to say they are perfect programs and can't be reformed.

I am just saying we can't simply say there is still poverty. There is a dollar figure. If you look—two quick figures. Female-headed families, very serious problem. But 15 years ago or so, 37 percent of all poor people lived in female-headed families. Today, 37 percent of all poor people live in female-headed families.

The figures that stand out more is the proportion of people who work but make wages that don't lift them above the poverty line. Here we have another anomaly. The earned income credit, help the working poor, so we don't count that in measuring poverty. So we can't really say here is all this money we spent but poverty didn't go down when we spent money in part for programs that we don't count when we determine who is poor, but that really did help in things like nutrition and health care.

Mr. SHAW. OK. Mr. Rector, would you like to comment?

Mr. RECTOR. I would love to comment on this. The fact of the matter, I have written for many, many years on precisely the errors in the measurement of poverty and Mr. Greenstein is now trotting out to defend the welfare state. It is the liberal establishment in Washington that is resisting making those very changes in



the measurement of the poverty which Mr. Greenstein is now saying are needed.

In fact, you could go back and find a series of papers in which Mr. Greenstein attacks me for making exactly the points which he just made right now. I would say if we went back to the chart that I had and showing the change in the official measured poverty rate which has been created and sustained by our government, the chart shows the official poverty measure which is broadcast to the American people, and this is the one which everyone in basically and most liberals in Washington insist that this is the gospel truth. Looking at the chart, the record is very, very clear.

I would say that basically, though, putting the caveats that Mr. Greenstein puts on there, there is some validity in those caveats, but what the chart really measures is the ability of people to sustain themselves. What you see is that prior to the war on poverty, people were conquering poverty through their own work and earnings and initiative and the poverty was falling very rapidly. As soon as the war on poverty begins, all of that self-sustained and self-initiated progress against poverty comes to a stop and the poverty rate starts to go in the other direction.

That is because, in welfare, as in most other things, you get what you pay for and the current welfare system pays for nonwork, and nonmarriage. It is an insidious system in which the more you spend, the more clientele for the programs you create. There is no way under this system that you can spend your way out of poverty. The more you spend, the more you erode the work ethic, the more out-of-wedlock births you have, the more people in apparent need of aid that you generate.

So you are caught in a spending trap under the current situation, particularly with regard to the collapse of the family. The more you spend, the more out-of-wedlock births you have, the more young mothers who cannot sustain themselves without government assistance. That is what is most directly reflected in that chart.

I would also comment about his allegation that welfare spending will not go up as a percentage of GDP. The figures I gave came directly from CBO. When you put in all of the welfare state, including Medicaid, the fact of the matter is that it will rise to 6 percent of GDP, \$550 billion by the end of the century. The welfare state, meaning cash, food, housing, medical care and social services that are means tested and for the poor is in fact rising as fast as any other category in the budget. It is rising as fast as Social Security and Medicare combined. It is a very rapidly growing figure. Those figures are directly from CBO.

The simple fact of the matter is that this is an enormously expensive system and it is important to look at the whole system. It is always easy as we did during the eighties to take one of these 175 programs and show that it didn't grow as fast as baseline and then claim, oh, Reagan has slashed the safety net. To claim we are cutting spending, when in reality the spending in aggregate is exploding because 174 other programs are growing rapidly. This is what happened in the eighties.

I would also say that there seems to be an underlying theme here that what causes spending to go up is a recession. Look at that chart. Even after adjusting for inflation, the welfare state

went up almost every single year with one exception. It is not a recession that is making spending go up. It is the fact that you have one program piled after another. You have enlarging entitlements that are taking an ever larger share of the population. We now have 1 out of 7 children on AFDC, 1 out of 10 people in the United States on food stamps. We are bringing more and more of the U.S. population under the umbrella of these antipoverty programs.

Mr. SHAW. I can readily see why you are seated at each end of the panel. Mr. Horowitz, would you comment on one thing for me please, and that is what would the effect of continuing this as an entitlement be if we have a balanced budget amendment. It seems to me in just looking at this that they are inconsistent, that you can't put these programs on autopilot if you are going to be constrained by a balanced budget amendment.

Mr. HOROWITZ. Well, as I have indicated, Mr. Chairman, when government and spending is on autopilot, it is a threat not just to the welfare system but to democracy as a whole, for spending to grow as it does when government grows by itself untouched by human hands.

But the point I want to make, Mr. Chairman, is, yes, it is a fiscal nightmare to have entitlements exploding. But I think the larger point is the point that Mr. Rector made. Which is that exploding welfare spending has created terrible consequences, and that its record over the last 30 years would be terrible even if we had had all the money in the world.

So I think it is wrong to put welfare on an entitlement basis. You become democratically irresponsible to put it on an entitlement basis. It is wrong in dealing with policy-sensitive welfare people, entirely aside from the fiscal issues, to allow the program essentially never to change and have clear bias against change. And the more we have entitlements, which are focused in particular committees, the more we also have the "tragedy of the commons" which my prepared remarks addressed.

Each committee has to worry about its constituency and its program and overall spending is not looked at by a single committee. That has been the cause of fiscal tragedy over the last 20 years. In fact, it was a tragedy between the 1890s and 1921. Until we got budget acts, each single committee had its own programs and its own appropriations and each agency submitted its special budget to those committees. That is an entitlement world, in effect. I could cite from Woodrow Wilson's State of the Union speech where he said that kind of government is utterly destructive. And the special committee which looked at the Budget Act in 1919 said, look, individual committees of Congress, you are going to lose some power but there is a common good here.

So I think in any world, but particularly in a world of the balanced budget amendment, we have got to look aside from entitlements. Entitlements are bad. But they are the worst in welfare where we need to take a fresh look every year to see how those programs are doing, so as to make the shifts operate with as much flexibility as possible.

Can I make one other point to Mr. Greenstein.

Mr. SHAW. Yes, please.

Mr. HOROWITZ. I think implicit in what Mr. Greenstein is also saying is unless you have it on autopilot, why nasty legislators will kick the poor at their hour of worst need. The record is precisely the opposite of that. I have seen you in debates in less formal settings than this, Mr. Greenstein; you didn't come far from making that point.

Mr. SHAW. Let the record reflect Mr. Greenstein is protesting your statement as you testify.

Mr. HOROWITZ. The record, as one looks at it, discretionary spending on low-income programs has gone up as rapidly on annual budget appropriations as have entitlements. Every Member here sees it—

Mr. SHAW. Mr. Horowitz. I think you have more than responded.

Mr. English. Mr. Ford.

Mr. FORD. Mr. Chairman, is it possible to give Mr. Greenstein just a second or two to respond to the other two witnesses.

Mr. SHAW. I think they were responding to him. If you would like to proceed 1 minute, Mr. Greenstein, I am sure that the others will allow some time for that purpose. Now, let us go on in the orderly process because I used my time to give Mr. Rector time to respond, and I am sure some of the Members will be equally generous. If they are not, I will make time at the end of all the questions.

Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Dr. Olasky, prior to the evolution of the modern welfare state, what was the approach taken to work illegitimacy and other issues of moral behavior by those who ran charitable institutions that provided services to the indigent?

Mr. OLASKY. Well, they understood that just material help would not do it, they had to challenge people on values, that at times lifestyles had to change. They did not believe in one size fits all. They realized that you take a couple of people with the same material circumstances, one may need a pat on the back and some encouragement and material help, another may really need a push. And so they had different behaviors for different types of value problems.

Mr. ENGLISH. Thank you.

Mr. Horowitz, in assessing a variety of proposals to return funding and program authority to the States, some have expressed the concern that Governors may not pass on funds and flexibility to cities and counties. In your view, what steps can be taken to prevent this?

Mr. HOROWITZ. Well, I think it is going to be a subject of very sticky negotiations, but I would say this: One of the real handmaidens over the years of the collapse of federalism have been the big city mayors who found it easier to come to Washington and bypass the States. I think this has been destructive to the flexibility of the system as a whole.

I also think that mayors may have had a point 20 years ago when State governments were less professional than they are today. So I do think that a level of protection may have been necessary, but I would say that, on the whole, I trust the States to be fair arenas in which the cities can give as good as they get, duking it out with other groups.

I think we also now have a welfare program not going to the poor, the Great Society welfare programs are money that goes to the rich people who deliver services, so they have got plenty of muscle as well to have their program needs met. I think States can handle the matter. I would say maybe some measure of municipal protection, but nothing of the sort that was talked about 10, 20 years ago. Let the States be the battlegrounds and I think all sides can favorably be heard.

Mr. ENGLISH. Thank you. Mr. Horowitz, in your testimony, you made some interesting points. After you had been in the Federal Government, the Congress had a tendency to take block grant programs and then gradually add entitlements to them and there was kind of an entitlement creep.

I was wondering if you could amplify on that and also expand on your view of why there should be a procedural point of order against new entitlements built into any welfare reform proposal that is passed.

Mr. HOROWITZ. Mr. English, I may have misspoke. I didn't mean it is an entitlement creep, I meant it is a categorical creep.

Mr. ENGLISH. I am sorry, that is what I meant.

Mr. HOROWITZ. What happened, we took lots of programs, we put them into block grant programs, we reduced the regulations on those programs. As I remember, we battled. Indeed we had the battle, as I said, with the Governors to reduce the Federal regulations in some cases from thousands of pages to handfuls of pages. We declared a revolution achieved. There was a hiccup period, that is all, and then before long, Members of Congress wanted to start their own new categorical programs.

Committees got bored not having action and not doing new things, so we began to recategoricalize once again on top of the block grants. That is the sort of thing I think we need to avoid. We cannot have block grants of our existing, overlapping programs that Rector has talked about, and then declare victory. Because, if history is any guide, in 10 years we will have 300 new ones. And I think if we make the judgment to devolve these areas into the States, we ought at the Federal level to have real ways of making it stick.

Mr. ENGLISH. Thank you. Thank you, Mr. Chairman.

Mr. SHAW. Thank you.

Mrs. Kennelly.

Mrs. KENNELLY. A question. We are going to be right back here next week with hearings on welfare reform so we are going to begin with the marriage penalty. And Mr. Greenstein, because of the work you have done on the earned income tax credit, could I ask you to comment on the Speaker's request that the Congress should try to eliminate the marriage penalty in the earned income tax credit?

Mr. GREENSTEIN. Well, I think this is a worthy thing to look at and clearly we need to look at marriage penalties wherever they exist, but I think we need to be very careful and this is a complicated situation.

If you have a program that is means tested, people above a certain income level, aren't eligible, then you automatically have certain kinds of disincentives in it. As your income goes up, your bene-

fit goes down. Two people marry, their combined income is higher. You work more and you earn more, your benefit goes down.

A question that we always have to face in a means-tested program is how to design it to control costs and minimize disincentives at the same time, and sometimes those things are in conflict. If you take the earned income credit, there is a part of the earned income credit income spectrum where there is a marriage penalty.

But the example the Speaker gave is one that would apply in that extreme form to only a very small number of cases. His example involved a mother with two children and a father who is the custodial parent who himself is living with two children, they are both at about \$11,000 a year and the question is whether they married. For them, yes, there is a significant marriage penalty in the earned income credit but there aren't very many cases like that. As you know, most children live with their mothers not their fathers.

There is a part of the earned income credit structure where there is a marriage benefit now where it rewards marriage. Here is where you have a welfare mother with children and she doesn't work. There is a guy she is seeing who is a low-wage worker and he doesn't have children.

If she marries him, she loses her welfare and she loses Medicaid for herself and perhaps for some of her children. That is a disincentive to marriage. That is a problem with the welfare system today. The earned income credit helps because when she marries him, while she loses her welfare, they as a married working couple with children are now eligible for the EITC and it offsets the loss in welfare.

Who am I more worried about? The two single parents, one male, one female. They each have two kids. They are going to marry each other. They are both working and they earn \$11,000. Or that welfare mother I want to get off welfare. The area where it is a marriage bonus is at least as important as the area where it is a marriage penalty, so it is complicated.

But there is one other key point. How would you reduce the marriage penalty in the EITC? There is really only one way to do it that I know of at this point. You would have to significantly lower the earned income credit for single parents and raise it for two-parent families. What that would mean is that while you would be reducing the marriage penalty, you would be reducing the work incentive, too. You would be reducing the incentive for a mother to work her way off welfare because that single mother on welfare, if she worked and got off of welfare, she would get a much smaller EITC than she is eligible for today. We want to make her better off if she works than if she is on welfare. This would go in the wrong direction. We ease one disincentive, we increase another disincentive.

And there is one final problem. If you raise the EITC for families, married families, you have to raise the income limit at which they qualify for the EITC. If you give them a bigger EIC and you keep the income limit at the same point, you have to take so much away from them as they earn each additional dollar that you give them a work disincentive.

The EITC is already going to go up to \$28,000, \$29,000 a year. You want to fix the marriage penalty in that way you are talking about, maybe people up around \$35,000 or more would be eligible. There are a hell of a lot of people around \$35,000, and to pay for it, you have to cut even lower in the EITC for that single working mother. So I am very concerned about getting people to work their way off welfare.

I am concerned about that marriage penalty, too. But we have got to be careful that we don't do more harm than good. And a number of us looked at this problem in 1993 and we didn't like the marriage penalty that was in there but we thought that the alternatives would cause more problems and that, on balance, this was a good structure. It has a marriage bonus at the bottom and, most important, is the incentive for people to work their way off welfare.

Mrs. KENNELLY. Thank you.

Mr. SHAW. Ms. Dunn will inquire.

Ms. DUNN. Thank you, Mr. Chairman.

Dr. Olasky, I want to tell you how pleased I am to hear your comments about volunteerism. As a member of President Reagan's Advisory Council on Voluntary Services in the first part of the eighties, I just want you to know that—and that as a result of a career of volunteerism—I want you to know that I think that is an underrespected way of doing business, and anything we can do now to increase the respect for volunteerism, the results of their work, I think, will add to what we can produce on the nongovernment funded side of the ledger.

Mr. Rector, I wanted to ask you a question. You offered earlier to give us some thoughts and I would like to take you up on your thought to tell us how we can control spending, Medicaid spending without shifting costs to the poor or undermining our support for the poor, because I think there are many of us, certainly most of us on this panel, who would agree with Dr. Olasky's discussion about compassion, that there needs to be something provided but that we can do it more effectively and with greater positive incentives.

Mr. RECTOR. I would say that what we ought to do is simply accept a goal as a Nation when you look at the projected cost increases and so forth of limiting the growth in welfare spending to inflation. When people criticize the Contract and say kids will be dropped in the streets and so forth, there is an underlying empirical assumption that we are going to have an ever-increasing number of people on welfare in the future, and if we don't simply accept that and have entitlements grow to match that, that somehow kids are going to be jeopardized.

What I would say is, the best thing we can do in terms of cost containment, is simply to take the bulk of the means-tested programs listed in the Talent bill which I think is the bill that goes farthest in this direction, and put them all into one block grant to the States and allow that grant to grow at the rate of inflation. Thus, we would be spending about the same amount as we are now in the future.

We are assuming that you at the State level can find a way to change things so you are not going to have an ever-increasing population on welfare. You will have the same basic level of population

on welfare you have now. We will let you have money increased at the rate of inflation.

I would do the same thing with Medicaid. The huge explosive growth in Medicaid is that we have these open-ended entitlements in which the criteria for eligibility is expanded each and every year. I would say with Medicaid, let's take what we spent last year, give it as a block grant to the State, allow it to increase at the rate of medical inflation.

If you do those two things together, two block grants, one for Medicaid, one for the rest of the means-tested programs, allow them both not to be cut but to grow at the rate of inflation, you are talking about \$75 billion of savings off of the baseline in 5 years on the nonmedical, and about another \$75 billion of savings on the Medicaid—\$150 billion of savings. And that is savings off the CBO baselines which I would suggest to you, in my experience, have always been quite low and in fact underestimate the rate of growth that we can expect on these entitlement programs.

So let's make block grants. Let's create a series of conditions where we can enable the Governors to constrain the rate of growth of the population on welfare. I don't believe, however, that we should simply give, as Congressman Levin indicated, the gasoline and then get out of the car and let them drive. If the Governors want to have blanket authority with no responsibility, then what we should do in that respect is simply eliminate all these Federal programs, give the money back to the taxpaying households of Michigan or whatever, which would amount to about \$2,500 of tax rebate per household.

To get rid of all the Federal means-tested programs, give it back to the taxpayers of the State and then let Governor Engler or Governor Thompson, or whatever, put that money back that is in the hands of the taxpayers and spend it on their own programs. That is true federalism where the Governors raise the money and spend the money.

If you are raising the money up here, I think that you have to have, not micromanagement, but macromanagement, general principles about how Federal money is going to be spent. The money needs to be spent to promote marriage and self-sufficiency, not dependence and illegitimacy. I think if you are raising the money, you have the obligation to insist on those general moral principles.

Ms. DUNN. Thank you.

Mr. SHAW. Mr. Levin will inquire.

Mr. LEVIN. Thank you. It is lunchtime. But let's finish up. You know, this has been an interesting day. I do think all of us want to check our facts. Mr. Rector, you have repeated a number of times, I think, one formulation was as soon as the war on poverty began, the drop in poverty came to an end.

I wouldn't for 1 minute defend every program that was inaugurated in the mid to later sixties, but I don't think your chart shows that. The drop in poverty, as I read your chart, continued through the early seventies and began to go up again.

Mr. RECTOR. What the chart shows is that the drop—

Mr. LEVIN. I mean it is right there.

Mr. RECTOR. It is also available on, basically, page 5.

Mr. LEVIN. I know, but that is a little hard to read. That is clear, it seems to me as I see it, 1965, and you can check here, it is 15 percent, and then it continued down, leveled off but then continued down until it looks like 1973 or 1974.

So my only suggestion is, as we debate this, exaggeration is an enemy and I think for you to say and I took your words, as soon as the war on poverty began, the drop in poverty came to an end, I don't think is true in your own chart; is it?

Mr. RECTOR. What I would say is that if you look carefully at the chart, what happens is that roughly from 1966 through 1970, that the rate of decrease slows down dramatically. It is also difficult to define exactly when the war on poverty started.

Congressman, the real program started to kick in around 1968. So what you would see is that there in between, say 1965 and 1970, that the spending starts to go up. We add on a National Food Stamp Program in 1968, I believe. Medicaid comes on as the national program in these years. The spending starts to kick up between 1965 and 1970.

And you see things in real life don't immediately stop. You see the curve slowing down and then basically, from 1970 on, you have a leveling off. It jumps up a little bit or goes down a little bit depending upon whether you are in a recession and then from the midseventies on it starts to go up again.

Mr. LEVIN. All right, look. All I am saying is I think it is not accurate to say, as soon as the war on poverty began, the rate—the decrease in the rate of poverty——

Mr. RECTOR. Three years after 1965 the progress basically comes to a stop when the major war on poverty programs come into effect. There were very few programs that were implemented at the exact point at which Lyndon Johnson——

Mr. LEVIN. I fully understand that. I think Mr. Greenstein wanted to say something.

Mr. GREENSTEIN. I think this whole discussion is offbase, I will tell you whether they are liberal or conservative, there are very few economists who would subscribe to this analysis. During the period that poverty is going way down, we had a booming economy. We had rapid rate growth. We had high rates of productivity growth.

The very point on that chart where poverty stops going down, around 1973, this has been written by economists of all persuasions, is the point at which wage stagnation sets in and productivity growth in this country stops growing forward at a substantial rate.

Wages are a very substantial factor here. You go to Wall Street and ask people if they think the Food Stamp Program or the AFDC Program rather than trends in the international economy and others are the reasons for the 20-year slowdown in the rate of productivity growth in the U.S. economy. People will look at you like you are a little bit offbase. These are fundamental issues that relate to the larger economy.

If you could just look at things like the fact in 1979, 12 percent of full-time, year-round workers not on welfare were earning a wage too low to lift a family of four out of poverty. It is now up over 16 percent. You can look at the percentage of families with



children where the head of the household works that are poor. It is higher now than it was then.

Wages are not growing the way they did. Take the middle class. Median income. People with the median income, right in the middle of the society, aren't on welfare. The median income in this country rose rapidly during the period that the poverty goes down and it is generally stagnated during the period that poverty stopped going up.

The general analysis of this is that it is not primarily war on poverty programs, that had it not been for things like expansion in SSI, the poverty rate would have gone up more. The poverty rate primarily tracks the economy. It is pushed up more by more single-parent families. It is pushed down a bit when cash benefits go up but the single most dominant factor is the strength of the U.S. economy and what it is doing for wages and employment, especially at the bottom of the income spectrum. And to pretend that the primary factor is not economic really is to ignore most of the work in the field.

Mr. LEVIN. Well, my time is up. I don't think we are going to resolve this today. I think it is important to stick to the facts. Thank you.

Mr. SHAW. OK. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

Mr. Greenstein, you would agree, or maybe you state your opinion from some of your earlier comments, that you feel that the welfare system as it currently works doesn't work, yes?

Mr. GREENSTEIN. I would say the welfare system as it currently works does some things—performs some positive functions but also causes some real problems.

Mr. ENSIGN. Do you think that the illegitimacy rate in this country has gone up in any small part due to the welfare state?

Mr. GREENSTEIN. This is a matter on which there is a great deal of research and the—

Mr. ENSIGN. What is your opinion on that?

Mr. GREENSTEIN. My opinion is that the bulk of the research is, which is that there may be an effect from welfare here, but if there is, it is relatively modest. We find illegitimacy rates rising as rapidly among women with more education, people in other countries with different social welfare systems. In particular, I would note that if AFDC were the driving factor, then we would have expected as AFDC benefit eroded, as they have in the last 10 or 20 years, then rates of out-of-wedlock births would have slowed or gone down and they didn't. Yes, I think there may be some effect. But if there is, it is relatively modest.

Mr. ENSIGN. Since the sixties and this whole war on poverty started and the Great Society programs, with these statistics on crime, illegitimacy, educational performance, does it—I mean, does it seem to have any kind of causal effect, first of all, to you that maybe what we have been doing here from Washington has been part of the problem?

Mr. GREENSTEIN. Let me just say on educational statistics, the proportion of the low-income population that has a high school diploma, college degrees, have gone up very sharply.

Mr. ENSIGN. So you think that people are doing better in education today than they did 30 years ago, the poor community?

Mr. GREENSTEIN. Let me be very clear. I think that a lot of schools in the poor community are horrible and it is a national disgrace. But I am saying it is a complex situation, that it is also true if you look, for example, at single mothers, the proportion of single mothers who have graduated from high school is now nearly twice as high as it was in the sixties.

We have mixed developments there. The single development that clearly is negative is this large increase in the proportion of births that are out of wedlock. That is highly negative. I think it is as negative as you think it is negative. All that I am saying is, I do not think, and the research doesn't support, that the major cause of it is the welfare system.

The major causes of it, I think, are that there are a lot of the cultural developments, whether it is the rate of divorce among middle-income families, the rate of divorce among low-income families. We have—you look at the proportion of women who are college educated who give out-of-wedlock births, it was virtually unheard of 20 years ago. While it is still small at the bottom, it is growing rapidly.

We want—

Mr. ENSIGN. Hold on 1 second. I control the time here.

One other point you made earlier, and this point has been brought up several times during the hearings in the last few years, and that is this part about if caps had been put on, the States would have less money to do things. Do you think that the last few years we have had these increases because we did not have those caps? If those caps would have been put on, do you think that this body—and we all agree welfare reform needs to take place—do you think that this body may have taken steps earlier than this if those caps had been put on. Would those caps have been terrible if we would have put those on?

Mr. GREENSTEIN. No, not necessarily. Let me be clear. I don't think this is a question of open-ended autopilot or a block grant. We have a process that, in my view, we should use more which is the budget reconciliation process. I was one of the members of the Entitlement Commission who was disappointed that we didn't reach consensus on that commission and who was ready to vote for some tough changes in entitlement programs that wouldn't have been very popular.

The reconciliation process is one we can do that through. My concern is, if you think a given program is going to cost too much in future years, change who is eligible. Change the benefit levels. But what I would argue against is making a change whereby if a recession hits, we can't serve the working families that lose their jobs and a change where we have too little money in one State and too much money in another State because we have a formula that doesn't match need.

I think the question is, you determine what path you want to be on when you pass a budget resolution. You think entitlements cost too much? Put a reconciliation structure on it including one into the Ways and Means Committee. It has worked in the past, it can

work again. It is just in the past we have only done that every, you know, odd number of years.

If you have a moral pressure to reduce the deficit, you can't do a reconciliation bill every year—you can do a reconciliation bill every year, but the question is not to have this problem in recessions and not to misallocate means among States.

Mr. ENSIGN. My time is up, Mr. Chairman. Thank you.

Thank you to all the other speakers.

Mr. SHAW. Thank you. And I thank this panel and the other two panels for a hearing that is very fruitful.

I would like to make one quick comment with regard to the entitlement versus block grant issue. It doesn't necessarily have to be either/or. We have got a model to draw from with unemployment compensation. You can have basic yearly supplements, yearly appropriations that can be made and then you can put an emergency fund on top of it which would automatically trigger, so I don't see this as something that we have to do all one way or the other.

I think we can come up with a hybrid because I do believe very strongly, as Mr. Horowitz and others have pointed out, that the democratic process does require us to look at these programs every year. By our looking at them, and deciding what to do with them, I think certainly reinforces congressional responsibility.

I want to thank the Members for their attendance today. It was 100-percent attendance. I know we have lost a few as the afternoon has drawn on. But I think this is one of the finest Subcommittee hearings that I have ever been to and I think if there is one thing that has come out of this hearing it is that we certainly do share more points of agreement than disagreement.

And I am really wowed by the fact that I feel certain that we are going to be able to report out a bill that is going to have majority support from both parties. Thank you.

Mr. GREENSTEIN. Mr. Chairman, could I just have 30 seconds, about 1 minute. Maybe I can make a further area of agreement.

Mr. SHAW. Proceed.

Mr. GREENSTEIN. Simply on this chart over here, what it shows and these are the—

Mr. SHAW. Don't say anything that Mr. Rector is going to have to reply to.

Mr. GREENSTEIN. I am not sure he will disagree. This chart shows that Medicaid spending is projected to rise rapidly. Other entitlements driven by Medicare and Social Security, those are the two that are projected to rise.

Let me be very clear, and maybe I didn't state it precisely enough earlier, non-means-tested entitlements other than Medicaid, the long range CBO forecast from the year 2000 out through 2030 is that they are either flat or slightly declining as a percentage of GDP.

Mr. Rector is correct that if you do all means-tested entitlements, including Medicaid, then it is up. If you separate them out, Medicaid goes up sharply, the rest of them are pretty flat.

That is all I wanted to clarify.

Mr. SHAW. Thank you. We stand adjourned.

[Whereupon, at 1:49 p.m., the hearing was adjourned, to reconvene at 10 a.m, Friday, January 20, 1995.]



## WELFARE REFORM

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FRIDAY, JANUARY 20, 1995

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON HUMAN RESOURCES,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 10 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

Chairman SHAW. Good morning and welcome to the second hearing of the Subcommittee of the 104th Congress. As is our custom, we are only going to have one opening statement from either side.

Congressman Ford has asked that he be able to yield 1 minute to Mr. Levin, and I have agreed. But to give the majority opening statement this morning will be Dave Camp from the State of Michigan. David.

Mr. CAMP. Thank you, Mr. Chairman. I thank you for yielding. This morning we will discuss a very important issue, the quickly spiraling rates of out-of-wedlock births. We as a Nation have to find a way to stop this problem. Our intent is to stop the cycle that leads so many families into poverty.

Working together we can accomplish this and forge a new future for our children. We want to help families find opportunity and become self-reliant, not reliant on government. Illegitimacy is a social catastrophe. As today's hearing will demonstrate, there is a good reason to judge the Nation's soaring out-of-wedlock birth rate as the leading domestic issue of our times.

Here is why: As shown by the superb charts prepared by Ruth Wasem and her colleagues at the Congressional Research Service, rates of illegitimacy are spiraling out of control. This chart shows the rise of out-of-wedlock births among both African-Americans and whites. For African-Americans, we have reached the almost incomprehensible level of 7 out of 10 children born outside marriage. For whites, if current trends continue, one of four children will soon be born outside marriage, and the rate is growing faster for whites than African-Americans.

The consequences of illegitimacy can be summarized in one word: Disaster. As shown in the material we have given to Members of the Committee, children living in households headed by a never-married mother are nearly eight times as likely to be poor as children living in two-parent families.

In addition, children living in households headed by a never-married mother are more than 10 times as likely to receive cash

welfare as children in two-parent families. Differences of this magnitude between groups of Americans are extremely rare.

With the help of prominent conservative thinkers, several of whom will testify today, Republicans have succeeded in drawing the Nation's attention to the magnitude of the illegitimacy crisis. Millions of Americans now understand that out-of-wedlock births are at the center of a tangle of social pathologies, including school dropout, welfare use, unemployment, drug addiction and crime.

We have also succeeded in getting most people to agree that illegitimacy is bad for children and that such behavior by parents is irresponsible. Republicans want to lead the Nation to take the next two steps. We want to send a strong signal from the Federal Government that taxpayers are no longer willing to provide a comprehensive package of public benefits to young men and women who violate social convention by having children they cannot support.

Specifically, we want to reduce the size of the welfare package that the Nation's taxpayers provide to these teens. Rather than the standard package of cash, food stamps, and medical care, we want to limit benefits to include just food stamps and medical care, while block granting to the States the cash portion for State-developed programs.

In addition, we want to prevent the incentive for young mothers to establish their own households. By removing cash and housing benefits, we will send a clear signal that society is cutting back on the rewards it now provides for irresponsible behavior.

We realize that some will criticize us for ending cash benefits to these mothers and children, so be it. A most fundamental principle of human behavior accepted by almost all reasonable people is that if you reward something, you get more of it.

Federal policy now rewards the formation of never-married families. We intend to reduce the size of the reward. Second, we want to fundamentally change the rules of welfare so that States are given the flexibility they need to attack this problem. Some States will try special programs to counsel, educate, or train these mothers. Some States will emphasize making young fathers work. Some States in cooperation with local charities will require young mothers to live in group homes where they can receive the help they need to become good parents and independent earners.

As individual States and local governments develop policies that work, Congress will help show other States and cities how they did it. We believe this two-part strategy will reverse the devastating rise of out-of-wedlock births.

It is not compassionate to continue a policy that lures young mothers and fathers into creating a family they cannot support and cast millions of American babies into lives of poverty and destitution. Let's reduce the Federal subsidies for irresponsible behavior, and in so doing, we will begin to break the cycle of poverty that is passed from one generation to the next. That would be the kindest policy of all.

Thank you.

Chairman SHAW. Thank you, Mr. Camp.

Mr. Ford of Tennessee.

Mr. FORD. Thank you very much, Mr. Chairman. Mr. Chairman, the issue that we are addressing today, welfare dependency and the rise of out-of-wedlock births cries for our attention and for a humane and responsible solution.

What this bill does is to take a group of American children and say that because of the circumstances of their birth, that they will be denied the assistance available provided to other Americans. This is wrong and shortsighted. We, as a Nation, have a responsibility to take care of every child in America, to ensure that every child in this country grows up healthy and ready to learn.

I have heard that this bill would hurt children and that a generation of children might have to be sacrificed. This is not acceptable. In the wealthiest, most powerful Nation in the world, we should not sacrifice any child. While it is wrong to have a child you are not equipped to care for, it is morally bankrupt for a Nation to turn its back on children.

In June 1994, a group of 76 highly respected scholars and researchers in the area of poverty, labor market, family structure, and representing diverse political viewpoints, institutions and disciplines, concluded in a statement on welfare and out-of-wedlock childbearing that welfare programs are not among the primary reasons for the rising number of out-of-wedlock births, but poverty does harm children, it deprives them of fundamental needs necessary for their growth and development as young adolescents.

We need enlightened public policies which will address the social immune systems of our communities, policies which strengthen families and neighborhoods and provide safety nets against harsh realities of everyday life for Americans who live in poverty and distress in this Nation.

We don't believe that the solution to this problem is to make children born out of these mothers forever ineligible for government assistance. We think the solution is to make sure that the teens stay at home under the supervision of responsible adults and to learn to raise their children right.

In fact, 90 percent of teenagers who are currently on AFDC do not live with another adult—do live with another adult relative, but only 10 percent, which is 32,000, who cannot and should not live at home. We think the solution is to put them in a residential home with their children, teach them parental skills, provide the children with early education, Head Start, and to make sure the mothers stay in school. But you don't take infants away from their mothers and put them in institutions.

Mr. Chairman, I would like to say that President Clinton deserves particular credit for placing this issue squarely on the American radar screen. Our task is to work together to make certain that both parents are expected and able to support and nurture their children. It is equally important that the children born to these young parents not be punished for their parent's mistakes. They are blameless in our society, and I look forward to the testimony today before the witnesses who are on this panel and other panels.

However, Mr. Chairman, I know that we spoke earlier before this Committee session, I do want to express to you my profound disappointment with today's witness list. When you and I met last

week, I understood that the Democrats would be able to name one witness for each panel. We recommended Rebecca Blank who will testify on the second panel as a part of the first panel today. Her credentials on the issue of out-of-wedlock births are impeccable, and I look forward to a healthy discussion today, but, Mr. Chairman, we certainly as Democrats on this Committee look forward to having full participation with all of the witnesses who will be testifying before this Committee.

[The prepared statement follows:]



OPENING REMARKS  
OF THE HONORABLE HAROLD E. FORD

House of Representatives  
Committee on Ways and Means  
Subcommittee on Human Resources

Hearing on Illegitimacy and Welfare

Friday - January 20, 1995

In America the time has come for us to construct public policy which demonstrates support and caring for America's children and their families, including those who are having babies out of wedlock. They are all our children. There are no illegitimate children in our nation. We do not need to create another group of outcasts. All children need opportunities to develop socially, culturally, educationally, physically and culturally.

Yes, it is time for us to reform a welfare system created to serve previous generations of Americans. It was not designed to address the complex and vexing problems of our times, especially the rising rates of out-of-wedlock childbearing, the high incidence of poverty and welfare among single-parent families. The public welfare system in America was not designed to address the serious problems of the poor, including those who are teenagers with young babies.

The War on Poverty and other programs of the 1960s and 1970s were not sufficient to overcome the profound effects of poverty on minority citizens. What we have inherited is a public assistance program, largely AFDC, which does not adequately deal with poor Americans. We provided security for working Americans in the Social Security Act, but we did not address the problems of the poor.

Poverty, poor education, unemployment, inherited disadvantage, low aspirations and school achievement are some of the important conditions which the best social science research has demonstrated as having strong relationships with out-of-wedlock child bearing.

The Republican Personal Responsibility Act has numerous provisions that would deny welfare benefits to poor children and their families. These provisions include:

- o the denial of housing and cash assistance to families in which a child was born to a young unmarried mother before her eighteenth birthday,
- o the denial of assistance to children for whom paternity has not been established,

- and other child exclusion and time limit provisions.

Advocates of these measure argue that the most Draconian steps are justified because welfare is a primary cause of out-of-wedlock childbearing by adolescents. This argument is based on the view that ending welfare for these children will significantly reduce out-of-wedlock childbearing.

In June, 1994 a group of 76 highly respected scholars and researchers in the areas of poverty, the labor market and family structure and representing diverse political viewpoints, institutions and disciplines concluded in a statement on welfare and out-of-wedlock childbearing that welfare programs are "not among the primary reasons for the rising number of out-of-wedlock births." But poverty does harm children. It deprives them of fundamental needs necessary for their growth and development as young adolescents.

Rather than focus the debate in a negative way, why can we not do as our friends in Western Europe, that is, pay greater attention to the developmental needs of our children and their families, starting at very early ages. The needs of teenagers, those who have never given birth and those have, face immense challenges. A developmental perspective addresses the problem of teen pregnancy. This perspective includes a preventive and remedial response to teen pregnancy.

We need enlightened public policies which will address the social immune systems of our communities; policies which strengthen families and neighborhoods and provide safety nets against the harsh realities of every day life for Americans who live in poverty and distress.

Head Start works from a developmental perspective. Head Start provides holistic intervention. Head Start and programs like it demonstrate effectiveness of strong community and family social immune systems which serve as buffers against teen pregnancy and other social ills of our society.

We must curb teen pregnancy by instituting comprehensive approaches which address the complexities of adolescent development, and strengthen family and community support systems. We must pursue changes in our public welfare policies which will increase economic opportunities for youth and provide employment for parents so they can leave welfare and poverty and move into the workforce. Rather than blame the individual, we must couple individual responsibility with community responsibility and support.

Mr. Chairman, our responsibility, in fact our duty as crafters of welfare reform legislation is to demonstrate that we care about this nation's children and we will support their development and well-being. We have a responsibility not to punish them or give up on them, but to invest in their future.

Mr. LEVIN. Will the gentleman yield briefly?

Mr. FORD. I will be happy to yield to my colleague.

Mr. LEVIN. I appreciate you doing that and the indulgence of the Chair. I would just like to say a very brief word about the impression I had reading over the testimony last night.

As I did so, I had a couple of impressions. First of all, I think it is something we all agree on that out-of-wedlock births are indeed a serious, I think a grave social problem. Second, it is a matter of concern to all of us, to all of us. And third, as I read the testimony, it seemed to me that there might be more room for common ground here than some think.

I would just urge as we tackle this vital issue that we not fall into easy polarization, that we look for common ground here, not for tactical advantage. I see no reason at all for this to be a liberal, moderate, or conservative issue.

I think one other point that came through, especially in Professor Loury's testimony, let's also not oversimplify this issue. I think this is a warning that we should all keep very much in mind. This is an issue that cries out for our attention. It is so serious that it cries out for our serious attention, and, if possible, for an answer that cuts across some of the traditional lines and bipartisan lines.

Thank you for yielding.

Mr. RANGEL. Mr. Chairman, I know the rules. But you and I have worked together for so long, therefore could I ask for unanimous consent to make a short statement?

Chairman SHAW. I had asked Mr. Ford. Are there any other Members that want to make a short statement or otherwise? I will go ahead and allow that, but before you do, I will take the privilege of responding to a couple of comments that Mr. Ford made with regard to the way that we have set up this hearing.

Mr. RANGEL. Mr. Chairman, if you would yield, my short statement would deal with that, and perhaps you would let me make one statement.

Chairman SHAW. I would like to go ahead and make a brief statement. As the Democrats did when they were in the majority, I must retain the control of the schedule.

Mr. Ford misunderstood if he thought I said that each panel was going to have a witness who was selected by the minority. That agreement was never made. My only agreement was to be much fairer than the Democrats were to us, and perhaps that was the reason for the misunderstanding.

I will say, and as you will recall, the first nonmember witness of the Full Committee chaired by Chairman Archer was Secretary Shalala. And further, if you will recall, during previous welfare hearings during the Republican administrations, it was the third day of hearings before an administration witness was ever invited.

The first nonmember witness of this Subcommittee was Secretary Bane of the administration. So I think that as far as being fair, that I have certainly been fair. I am doing this for a very special reason—because I want to produce a bipartisan bill, and I want our Democrat colleagues to be part of that process.

Mr. Ford made several statements about turning our backs on the young children, and then talked about wanting them to stay in school and do certain things to turn their lives around. I think if

we would focus on what we all want, and that is what we want, to focus on their young lives and to help them do something with their future, I think we can come up with some very constructive legislation because we do agree on so much.

On the question of turning our backs, I think I can sit here and make the argument that throwing a 15-year-old mother a check every month is turning your back on her rather than trying to be constructive. And as far as taking children away from their mothers, the Federal Government in my memory and to my knowledge has never taken a baby away from anybody, nor is there any legislation that has been proposed or planned or on the books that would allow such an atrocity. That is not the function of the Federal Government.

The States have to make that type of determination as to the well-being of the child. I will yield for 1 minute to Mr. Rangel, and then we are going to go ahead with the panel.

Mr. FORD. Mr. Chairman, do I get a chance to respond to that?

Chairman SHAW. Well, I told Mr. Rangel that he could speak.

Mr. RANGEL. Mr. Chairman, the only reason that I took this extraordinary measure to ask for unanimous consent was because I think that the problem that we face today does not lend itself to a political solution, and so far this Committee has not really engaged in a political conflict, even though we know it is going to happen.

I just wondered, however, that if we are going to test bipartisanship, this should be it. It may not prevail throughout the Subcommittee, or the Committee, or the House, but we all agree that these are children that were created by God and irresponsibility. Lack of morality of the parents is an issue that we have to deal with, but we also have to deal with that child.

Now, the Democrats did a lousy job of dealing with it, and to a large extent, the voters got frustrated and they brought you guys in to handle it. But that doesn't mean that you have the answer, and that we don't have it.

And so I would like to believe that you are secure enough to be in charge of this Committee and have control of this Committee without saying that just because somebody is a Democrat, we can't have one person on a panel to express the different views. There is no one on this Committee that has the answer. If we did have the answer, we wouldn't have to go through this process.

Now, all of the witnesses, whether they are from the Heritage Foundation, or Bill Bennett's group, or whomever, recognize that we have the same problem, and if someone misunderstood you, they also misunderstood your staff, and people outside misunderstood your staff. Whether it was a good or bad idea to suggest that we could have one person on each panel, I don't know, because that is a mathematical, political question.

But let us at least try with this particular subject, and that is to try to prevent unwanted children from being born, to try to prevent the temptation for abortion, to try to prevent the need for adoptions and children who are unwanted being sent to institutions, and let us try with this, because if this becomes the political issue, I don't see how the other issues we could possibly expect would be done in a bipartisan way.

So don't give up control; stay in charge. I loved it when I had it, I want you to enjoy it, but to say that we can't put up a witness that may differ from the views that you campaigned on, to me, goes beyond the political decision.

Chairman SHAW. Charlie, that is not the case. The witness is on the second panel.

Mr. RANGEL. Oh, so we get one out of every two panels? How would you like to do it? Do we have one witness for today?

Ms. DUNN. Mr. Chairman.

Chairman SHAW. I think the gentleman is well aware of the fairness that I have extended. I have told Mr. Ford that if he feels that he is being mistreated or if any of the Members on this Committee on either side of the aisle feel that they are being mistreated as to the order of witnesses, to give me a call. We will talk about it, meet me on the floor, talk to me in the halls, come into my office, invite me to your office, I have even said that I will come to the Democratic Caucus if you want to discuss things.

I think you are absolutely right—this is a bipartisan issue. We are dealing with the future of the American people—not Democrats, not Republicans, not one ethnic group, or religious group. We are talking about the future of this country and we are going to carry this process forward.

And I am determined, and I think you know and have worked with me enough to know that I am not going to throw partisan politics in anybody's face. I am going to work for solutions, but we have got to do it in an orderly manner and therefore I will now go forward in an orderly manner and introduce the first panel.

Seated at the first panel are some outstanding scholars and social thinkers. We have Glenn Loury, who is a noted thinker and writer on problems of the underclass. James Q. Wilson is a most distinguished social scientist who is well-known for his works on crime, bureaucracy, and moral values. And, of course, a face that is very familiar to many of us on this Committee, particularly Charlie Rangel and me, Mr. Bennett, who is a former Secretary of Education and Drug Czar whose "Book of Virtues" has spent many weeks on the "New York Times" bestseller list. I think perhaps your book now is the second most talked about book in Washington, but it certainly continues to be a most popular book.

I will invite the panel to proceed as they see fit. Your written statements are made a part of the record. Feel free to summarize if that is your wish.

Mr. BENNETT. Thank you.

**STATEMENT OF GLENN C. LOURY, PH.D., PROFESSOR,  
DEPARTMENT OF ECONOMICS, BOSTON UNIVERSITY,  
BOSTON, MASSACHUSETTS**

Mr. LOURY. Thank you, Mr. Chairman. It is an honor and a privilege to be here. I would just like to take this moment to say that I don't appear here as a Democrat or as a Republican, and I don't come to grind a partisan act. I am coming to offer for your consideration such observations and thoughts as I can that will be of help to you in the difficult and important work that you are trying to do, and I appreciate the opportunity to do that.

Look, we all know what the problem is. Illegitimacy rates are going through the roof. What in the sixties Senator Moynihan identified as a problem in the black community has now become a problem in American society. There is now talk about the coming of the white underclass.

What we don't know is what to do about it. I don't have a corner on that truth. I do know this, though, in my review both of the statistical literature and of the reports of people who go into communities and observe, interview and talk, that the consequences of illegitimacy, of out-of-wedlock births, of broken families for families and children are very deleterious. I think there is an absolute consensus on that, and there is not any doubt.

People are hurt, lives are being chewed up and destroyed by what is happening in our country. The underlying root causes are complicated and involve many different interacting factors. It is my view that for many years certain analysts understated the extent to which the provisions of social welfare programs encouraged destructive behavior.

It is also my view, Mr. Chairman, that the process that has been set in motion by the developments both cultural and policywise in our country has now embedded itself to such an extent in many communities that changing the financial incentives of welfare is probably not enough to reverse the process that has been set in motion.

Let me put it this way: You can pull on a loose thread and unravel a garment, but pushing on a string will not put the weave back together again. Through an array of changes in our social policy and in our broader cultural milieu, we have pulled on the string of the fabric of marriage and family and there are many people that we can point the finger at to blame for that, but that unraveling won't necessarily be undone purely through matters of finance and public policy.

That is not to say that we should not try to revisit the question of the design of our welfare policies so as to be a part of the solution. I think we should, indeed I think we must, and not only for reasons of policy in the immediate sense, but for reasons of politics and social meaning in the broader sense.

I think we have to send the right signals through our governmental programs about what we Americans value and about what ways of living we affirm as appropriate and correct. But what I am saying is that we must not be too sanguine, almost arrogant about our ability to push and pull and manipulate and maneuver in order to fix what is a very subtle and complicated problem.

I know I don't have time here to go into all of the details, but I try to explain in my more extended written remarks why I come to this conclusion, and I try to describe to you in some detail in those remarks the social context, especially in the inner city where the illegitimacy rates are three-quarters, 80 percent in many communities. There families cower because of the fearsome behavior of young men who have not been civilized, which is to say they have not been properly socialized within a family context so as to have bred into them the values that will allow them to conduct themselves in such a way as to permit a decent life to take place in their

communities. Such young men are really perpetrating a reign of terror.

I have tried by reference to that milieu and the fine descriptions that we have by many researchers who are at work, to give you some flavor of the complexity, give you some sense of the fact that those communities will not be remade from Washington, of the fact that what has happened there, the great tragedy that is playing itself out there is not going to be reversed because we changed the incentives provisions of public transfer programs.

Also, I invite you to think about how it is that the real sources of moral authority and cultural change in those communities might be empowered, to begin what will undoubtedly be a decades long process of transformation that has to start some time in those places to bring about change. So that is one point that I want to make. You can't push on a string.

I want to make another point too, Mr. Chairman, and that is that there is a genuine dilemma in this area. We refer to it in economics as the samaritan's dilemma. It is a fundamental problem of helping, and bear with me for 1 minute if I sound like a professor, because the point is worth making. We won't let people starve in the street in a decent society. We will not allow children to go unhoused and unfed and uncared for. We simply won't. We want the people who are immediately responsible for the care of children to comport themselves in such a way that it is not necessary for the State to come to their rescue.

And yet to the extent that such people know that they will not be allowed to languish, to the extent that we cannot commit ourselves to withholding help from such people, there is a basic limit on how much pressure you can put on them to get them to change their behavior.

Now the point is, changing the identity of the samaritan does not solve the dilemma. So if public provision is cut back, which may be the appropriate thing to do, for the reasons that I have already said—because the government must set the right moral tone and must through its policy convey the values of the voters and the people—to the extent that private provision comes in to take its place, the private providers become the samaritans, and the dilemma remains unsolved. It is a real dilemma. Unless we change the values of the people, not their incentives, but their beliefs, their ideals, the meaning that they attribute to what they do in their lives, we will not solve the dilemma, and for that reason, I think fundamental attention must be directed to the value shaping, the character forming institutions in society which thankfully are not organs of government, but reside as I hope they always will with the people.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Testimony of Professor Glenn C. Loury  
before Human Resources Sub-Committee, Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC January 20, 1995

Mr. Chairman: I want to express my gratitude for this opportunity to offer my views before this distinguished committee on these crucially important matters. It has been my conviction for many years now that the rise in out-of-wedlock births represents a significant threat to the strength of our country, and the various communities within it. In this testimony I explain why I have reached this conclusion. My academic title is University Professor of Economics at Boston University. Yet I appear here before you not mainly as a technician, but as an intellectual who has been thinking hard about the problems of social disorder in America, and especially in urban America. So I will offer my thoughts on the broad ethical and philosophical dimensions of your committee's concerns, as well as report to you on the findings of recent social research.

#### The Problem of Family Structure

There is now a consensus among social analysts that the dramatic changes in the structure and stability of the American family over the last thirty years have had negative consequences for the quality of life of our citizens, especially children. These changes are reflected in the sharp rise in divorce rates during 1960s, and in the increasing incidence of out-of-wedlock childbearing, especially among young women. In the 1950s and early 1960 the divorce rate was approximately 10 per 1,000 married couples per year. It has since risen to more than twice that level. The proportion of children born out-of-wedlock went from 5% in 1960 to 27% in 1990. About 57% of black children born in that year were born to unmarried mothers, while this was the case for about 17% of white children. Each year over 1 million children go through divorce or separation and almost as many more are born out of wedlock.

These developments have had a dramatic impact on children's lives. Single parents (usually women) are more likely to head economically troubled families. We now know that one-half of single mothers live below the poverty line, compared to one-tenth of married couples with children; that single mothers are far more vulnerable to welfare dependency, and that they stay on welfare longer. Among never-married mothers 40 percent stay on for 10 years or more. Moreover, welfare dependency tends to pass from one generation to the next within single parent families. For whites, daughters with single parents are over 50 percent more likely to marry as teenagers, 111 percent more likely to have children as teenagers, 164 percent more likely to have a premarital birth, and 92 percent more likely to dissolve their own marriages.

There is also good reason to believe that welfare dependency has potentially harmful effects on participants and their children. In the mid-1980s David Ellwood (now Asst. Sec. at HHS) estimated that roughly 30% of mothers entering welfare for the first time eventually accumulated eight or more years on the program. More recently, Baruch College economist June O'Neill has calculated that half of teen unwed mothers (in the NLSY sample) go on welfare within two years of their first birth, and 80% eventually go on. She has further calculated that, among those going on welfare in the period 1978-1984, half had accumulated more than 5 years on the program by 1991, and one-third had accumulated more than 7 years. O'Neill has also found that parental dependence on welfare is strongly associated with negative outcomes for children. Young women raised in welfare families are significantly more likely than similarly situated women in families not on welfare to go on welfare themselves, to stay on for a longer period of time, to drop out of high school and to bear a child out-of-wedlock.

The ways in which coming from a broken family affect the likelihood that young girls become pregnant are subtle and complex. Dennis Hogan and Evelyn Kitagawa at the



University of Chicago, using a random sample of black females aged 13 to 19 living in Chicago in 1979, compared girls who live in married-couple families with those living in single mother households. They found the rate of premarital parenthood to be highest among the teens living with their mothers alone. Yet, those teens living with mothers and grandmothers fared as well as those in married-couple families. They also found that the extent of parental control exercised over early dating had significant and large effects on the probability of the teen becoming pregnant; indeed, parental control of dating was by far the single most powerful explanatory variable. The importance of control of early dating behavior suggests that, in addition to the structure of the family itself, the specific actions of adult family members toward teenage daughters is crucial to avoiding early pregnancy. Elijah Anderson has also found evidence for this among his informants in a North Philadelphia community. He notes that the presence of a father in the girl's household, or of older male siblings or even uncles actively involved in the girl's life, may lead to the girl being treated more respectfully by the boys with whom she interacts.

A recent innovative study by Bronars and Grogger published in the December 1994 *American Economic Review* uses data on a sample of married and unmarried women, some of whom had given birth to twins, to assess the impact of the birth of an unexpected additional child on various measures of the mothers' well-being. They found that an unexpected additional child had no impact of the well-being of married mothers, but affected unmarried women adversely, reducing labor-force participation, increasing the odds of being in poverty, and raising their chances of receiving welfare. Though most of the adverse economic effects of unplanned motherhood were found to dissipate over time for whites, there were larger and more persistent negative effects on black unwed mothers.

In short, the social science literature, both quantitative and qualitative, is unambiguous in identifying the negative consequences for families and children of marital disruption and out-of-wedlock childbearing.

#### The "Moynihan Report" Revisited

Of course, most Americans know this instinctively, without having to be told by social scientists. Indeed, concern about problems of family disruption has an been important social issue at least since 1965 when now Senator Moynihan issued his famous report on the "Negro Family." By daring to suggest that dysfunctional family behavior among poor blacks constituted an insuperable barrier to economic equality, Moynihan elicited an emotional, ideologically-charged response which permanently altered racial discourse in America. The now-familiar indictment, "blaming the victim" literally was invented in reaction to Moynihan's argument. A dear price was paid for this response, though not by those who led the charge.

What in the 1960s was a question about black society has in the 1990s become critical for all Americans. Charles Murray has announced to much fanfare the coming of the white underclass. Having essentially written-off the black community as a lost cause--with an illegitimacy rate nationwide near two-thirds, and even higher in the inner-city--pundits, politicians and scholars come now to contemplate what might be done to save the rest of America. The answer seems to be that we must place greater emphasis on "values." And, while I am all in favor of this, I am less than sanguine that the fix will be so easy.

People are not automata; their behavior in matters sexual may not be easily manipulated by changing their marginal tax rates or their reciprocity status under welfare programs. It is my conviction that the problems of illegitimacy and family breakdown are, at base, cultural and moral problems, which require broad societal action in addition to legislative change. The emergence of morally authoritative public leadership can have only a small effect here, and is unlikely to occur in any event. Yet, in every community there are agencies of moral and cultural development which seek to shape the ways in which individuals conceive of their duties to themselves, of their obligations to each other, and of their responsibilities before God. These mainly though not exclusively religious institutions

are the natural sources of legitimate moral teaching--indeed, the only sources. If these institutions are not restored, through the devoted agency of the people and not their government, then the behavioral problems which Moynihan first noticed thirty years ago will persist, threatening the survival of our republic.

#### Marriage as Social Capital

In my early writing on economic inequality in American society I introduced the concept of "social capital." Many others have found this a useful notion, and it is now in wide use in the social sciences. The term emphasizes the importance for economic development of non-economic resources. It refers to aspects of social organization (families, social networks, adolescent peer groups) that help individuals to act for their own economic benefit. The term also captures the idea that the institutional infrastructure within a given community (civic and religious organizations) helps to empower individuals for participation in economic and political life, and that the ideals and values which are transmitted and reinforced through social mechanisms can impact powerfully on economic performance. The point is that the extent and quality of relationships among persons can usefully be conceived as an economic asset, in some cases as important as physical or financial capital for determining whether or not a community can prosper.

The process by which a person moves from childhood to becoming an effective adult is like a production process. The output, a citizen, is produced from inputs of education, parental attention and concern, acculturation, nutrition, etc. Some of these inputs are bought and sold on markets, but many of the relevant inputs become available to the developing person only as the byproduct of noneconomic activities. Parental attention and concern, for example, accrue to a youngster as the consequence of the social relations which obtain between mother and father, and their respective families. So, within any community a crucial resource needed to produce tomorrow's citizens is the quality of social ties between today's men and women of child-bearing age. This is an elemental social fact.

In a recent essay in *Policy Review* anthropologist David Murray has documented the extent to which all human societies develop norms surrounding the bearing and raising of children which respect this elemental social fact. He stresses the universal recognition of marriage, and child bearing within marriage, as a means of domesticating--one could also say of civilizing--young males. "Neighborhoods without fathers, are seedbeds for predators" writes Murray. George Gilder has also stress this theme. Communities in which the vast majority of families consist of women without men who consider themselves responsible for their children, tend to be "under-capitalized" in a resource vital for social development.

This is, in my judgment, a central reason for the economic and social problems besetting inner-city communities today. As Gilder has recently written, "Society is continually beset by an invasion of 'barbarians,' i.e., teenaged boys. Unless they are tamed by marriage and the provider role, they become enemies of civilization. Males rule, whether through economic power as in civilized societies, or through violent coercion by the male gangs in the inner city (a so-called matriarchy where mothers cower in locked apartments, terrorized by their sons.) Thus, it is crucial to consider the impact of the welfare state on the socialization of young men." I am saying here that marriage should be seen as an important form of social capital. In the absence of marriage, and the joining of families which marriage represents, there are simply fewer people around to help a struggling young couple with the overwhelming task of raising children.

Moreover, the "legitimacy" of children is an important concept. Anthropologist Murray refers to it as "nothing less than the orderly transfer of social meaning across the generations." The Harvard sociologist Orlando Patterson has elaborated a persuasive and influential theory of slavery, in which the concept of "natal alienation"--the separation of close relations between children and their forebears--plays a key role. Marriage, by creating legitimate children, ties families of people together into mutually supportive social relationships.

### The Inner-City Context

I would like to explore more fully the inner city social context within which the problems of out-of-wedlock births manifest themselves. Perhaps our best guide in this matter is ethnographer Elijah Anderson of the University of Pennsylvania. Anderson has been a close observer of life on the streets of ghetto America for nearly a quarter-century. His recent work is based on extended interviews and observation in a North Philadelphia neighborhood. He relies heavily on the concept of "the streets," the physic and social milieu in which people interact. In these poor communities the physical environment is dilapidated, dirty, unsafe, unkempt, noisy. Young people spend a lot of time "in the streets," day and night. The streets are full of women and children. Men, especially, in the roles of husbands, are scarce. Quoting Anderson: "The demoralization and deterioration of the neighborhood are omnipresent: open-air drug sales, numerous pregnant girls, incivility, crime, many street kids, few up-standing residents."

There is what one might call a "moral ecology" of the streets. Ghetto neighborhoods are heterogeneous places. People of different generations, different family structures, differing degrees of economic stability, and different values interact there. Anderson talks of a clash between "street" values, and the values of "decent folk." These are the words reportedly used by the people themselves. There is a complex interaction between these different value systems. This is especially so for the young, who because of peer pressure want to be seen as socially "hip" not "lame." Yet, being "hip" may mean, to some degree, compromising with "street values," while behaving "decently" can cause one to be thought of as "lame." Peer groups are critically important among these youngsters. Children sometimes, in effect, raise themselves. They may be more influenced by their peer group than they are by any other source of authority in their lives.

Nevertheless, in the community which Anderson observes there is also a culture of decency. This culture is connected with close, extended families where the work ethic is important, where getting ahead is prized, where religious influences often remain strong. In such families, parents are often engaged in a struggle for the hearts and minds of their children, as the "decent" and "street" values assert their mutually incompatible claims.

Most relevant for my concerns here is Anderson's description of codes of behavior in sexual matters between boys and girls in these communities. The people involved are often quite young. Quoting Anderson: "Complicated by peer pressure, ignorance, passion, luck, intent, conquest, religion, love, and even profound hostility between young men and young women, these sex codes evolve... (They are) nothing less than the cultural manifestation of a persistent urban poverty. It is a mean adaptation to blocked opportunities and profound lack, a grotesque form of coping by young people constantly undermined by a social system that has historically limited their social options and, until recently, rejected their full citizenship."

Sex often results in pregnancy in this world. Quoting, again, "With the dream of a mate, a girl may be indifferent to the possibility of pregnancy, even if it is not likely that pregnancy will lead to marriage. The pregnant girl can look forward to a certain amount of affirmation, particularly after the baby arrives, if not from the father then from her peer group, from her family, from the Lord, and, ultimately from welfare from the outside society." A large part of the girl's identity is provided by the baby and the peer groups among the girls in these communities. Becoming a mother can, Anderson writes, be a "strong play for authority, maturity, and respect." The girl's outlook is crucial to determining what her behavior will be. Her education, her sense of self-respect, her wisdom, whether or not she has had mentoring from "decent" role models within "decent" families--these will all be critical factors affecting the outcome. Her parents may be able to instill some sense of hope, a positive sense of the future, a healthy self-respect. Or, she may have siblings whose success helps her to achieve this. Ministers and teachers can play this kind of role by communicating the expectation that girls should strive to do something with their lives.

However, where such communicated expectations are absent, where some sense of hope or possibility about the future is not present, the prospect of having a baby, far from being regarded as a negative, may well be seen as a positive. And that can be reinforced, not only by the financial benefits that might come from the state for support for the child, but, perhaps as importantly in the world which Anderson describes, by the status that a girl gains with her peers, and by the extent to which she is seen within the peer group as coming of age for the having of the child.

Anderson's descriptions of the attitudes of boys are chilling. Concerning pregnancy, boys are described as generally, though not always, resisting owning up to being the father of a child. Such owning-up would counter their hit-and-run exploitative peer-group ethic. Also, paternity is often uncertain. Girls may or may not want to identify the real father. Acknowledgement of paternity by the boy's family, often determined by his mother, may be based upon the baby's appearance, with the child being incorporated into the boy's extended family by the boy's mother if she thinks the baby looks like her son, and so on.

The general conclusion emerging from this kind of ethnographic observation is that inner-city communities are complex, heterogeneous cultural contexts. Behavior around issues of sexuality and childbearing are influenced, but are far from being completely determined, by the provision of assistance from the state. There are large numbers of families struggling against the economic and cultural odds to raise their children to live decent lives, and many of these families are, despite their best efforts, failing at this task.

#### Values, Public Policy, and the State

Public policy is more than the implementation of technical solutions to the problems of governance. It is also a powerful symbolic mechanism through which are communicated the values and beliefs of a people. As George Will has famously put it: "Statecraft is Soulcraft." The means-end calculation of the social scientist or policy analyst is insufficient to provide a full account of what government does. Crucial also is the expressive content of government actions. The actions taken by Congress in the next months regarding welfare reform will represent a powerful expression about the duties and obligations of citizens, and about the standards of conduct expected from individuals. These messages will both shape and reflect the values of the citizenry.

It is now widely accepted that placing upon welfare recipients the obligation to engage in activities which limit their dependence is necessary and legitimate public policy. Far from being punitive, as some liberal critics of this proposal allege, the imposition of such obligation represents a keeping of faith with a social accord of mutual expectation. The key point to recognize is that the state cannot escape the necessity to communicate some moral message by the actions it takes, even if only by default. The failure to impose obligations on recipients is also an action, which signals what is valued in society.

The audience for these normative messages is not limited to the set of people directly affected, but extends to the entire population. Indeed, sustaining political support for public provision to the needy requires the maintenance of some compatibility between the values expressed through the policy, and the beliefs broadly held by the public. The conduct of public policy also communicates something to the citizenry at large about the moral standing of those persons directly reached by policy. In the case of welfare, structuring assistance so that it leads to the eventual attainment of self-sufficiency by recipients actually shows respect for the subjects of state action, and enhances the dignity of these persons. By holding up a common standard of behavior to all citizens we evidence our confidence that those who may now need our assistance are capable of becoming self-reliant. This avoids the situation in which "we" who are capable of responsible conduct and of generosity, deign to provide for "them" who, by virtue of their dependency are rendered objects of our concern, but are not treated as responsible moral agents. The notion that to treat the poor with dignity one must withdraw all constraint on the recipient and simply hand-over the benefit unencumbered is in fact a contradiction. The absence of an enforced expectation that

those in need will, in due course, join the self-supporting conceding that the needy are incapable of actions regarded as minimally expected of ordinary citizens—hardly a dignified posture.

Thus, in addition to providing direct economic incentives (via the tax code and through the design of programs providing financial benefits), the state sets the moral background within which civil society operates. But it is the civil sector of families, community organizations, churches and various private philanthropic undertakings which must do the real work of promulgating and instilling values. The role of the state, while important in matters of public communication, is ultimately quite limited in matters of transforming the values of individual persons. One source of this limitation is the fact that encouraging "good behavior" intrinsically requires that discriminations be made among persons based on assessments that are difficult, legally and politically, for public agencies to make. Having distinguished between right and wrong in public rhetoric, it becomes necessary in the concrete, ambiguous circumstances of everyday life to discern the extent to which particular individuals have risen to, or fallen short of, our expectations. That is, promoting virtue requires that standards be set and communicated, and that judgments be made as to whether those standards have been met. The making of such judgments requires knowledge about individual circumstances, and the drawing of distinctions between individual cases, which may exceed the capacity of public institutions. Because citizens have due process rights which cannot be fully abrogated, public judgments must be made in a manner which can be defended after the fact, and which carry a high burden of proof as to their legitimacy. Families and churches are not constrained to the same degree.

Consider the difficulty of a state-sponsored agent making the judgment as to whether a welfare recipient has put forward adequate effort to prepare for and find a job. The information available for this decision is generally limited to the observations of a social worker, and the self-report of the welfare recipient concerning her activities, together with a check on whether job interviews previously arranged have been pursued, etc. Beyond this, very little information can be brought to bear. Action to limit the assistance due to a belief that the recipient was not trying hard enough might not stand-up to subsequent judicial review. (Indeed, such actions might not be carried-out by state employees who believed the obligations thereby imposed were not appropriate.) But, of course, families and communal groups providing help to the same individual would base their continued assistance, in part, upon just such information. They would discriminate more finely than a state-sponsored agent ever could between the subtle differences in behavior among individuals which constitute the real content of morality and virtue.

This point is especially critical when behavioral distinctions may have a disparate impact by race, and where charges of racial discrimination could arise. Anticipating these charges, public agents may withdraw from the degree of scrutiny of individual behavior which produced the racially disparate outcome. The fact is that the instruments available to public agents for the shaping of character are coarse and relatively indiscriminate, in comparison to the kinds of distinctions and judgments which people make in their private social lives all the time. Moreover, the ways in which a public agent can sanction individuals' dysfunctional behavior—withholding financial benefits primarily—may not be as compelling as the threat of social ostracism and peer disapproval which is readily available in private associations. The purpose of these observations is to caution against an overly optimistic assessment of the power of legislation to reverse the regrettable trends in the social behaviors of citizens.

It is also the case that state action is encumbered by the plurality of views as to what constitutes appropriate values in our society. The public morality reflected in state action is necessarily a "thin" conception of virtue, weak enough to accommodate the underlying diversity of value commitments amongst the various sectors of our society. This contrasts sharply with the "thick" conceptions of virtue characteristic of the moral communities in which we are embedded in private life. The conflict over sex education illustrates this

point. Introducing into the public schools in any large city a curriculum of sex education that teaches the preferability of two parent families might be resisted by educators who would cite the great number of their students from single parent backgrounds. Yet it is arguable that these are the students most in need of hearing the authoritative expression of such value judgments. Of course, the same would not be true of sex instruction undertaken in a parochial school context.

My general proposition is that civil society and the state provide complimentary inputs into the production of virtuous citizens. Legislators should look for ways to encourage virtue by encouraging the development and expansion of those private, voluntary associations within which the real work of character development is best done. Mutually concerned persons who trust one another enough to be able to exchange criticism constructively, establish codes of personal conduct, and enforce social sanctions against what is judged as undesirable behavior, can create and enforce communal norms that lie beyond the capacity of the state to promulgate effectively. The coercive and resources of the state, though great, are not especially subtle..

I believe these considerations are especially critical for black Americans to recognize. For, when one considers the great problems of our inner-cities, it is inescapable that at the root of these problems lie dysfunctional behaviors of citizens which ultimately are not amenable to state-sponsored remedy. This means, in my opinion, that the intellectual, religious and civic leadership of these communities must embrace their responsibilities to provide moral leadership, to an even greater extent than is already being done. Black leaders must work, with public officials and with other Americans of good will, to build communal institutions that can instill in our youngsters a normative framework sufficient to allow them to partake of the great opportunities which this society offers.

Chairman SHAW. Thank you, Mr. Loury.  
Mr. Wilson.

**STATEMENT OF JAMES Q. WILSON, PH.D., COLLINS PROFESSOR OF MANAGEMENT AND PUBLIC POLICY, UNIVERSITY OF CALIFORNIA AT LOS ANGELES, LOS ANGELES, CALIFORNIA**

Mr. WILSON. Thank you, Mr. Chairman. I have not submitted written testimony to the Committee, but I have asked your staff to distribute and make available to you three statistical charts to which I want to refer.

The theme of my remarks is that we must escape from two views. First, we must escape from the view that we are debating whether poverty or illegitimacy causes welfare, or that welfare causes illegitimacy and poverty.

The real issue is what kind of behaviors are occurring and to what extent welfare poverty, or other factors contribute to those behaviors. Second, we ought to escape from the view that we are promising the American public a cut in the welfare rolls, a savings in tax moneys or a requirement that the mothers of young children work. Those may be desirable things, but what I think the American public expects of us is that we try to save the children, because we have put an entire generation and more at risk, and that generation is in danger of reproducing itself.

Table 1 is a snapshot of the American public taken by the U.S. Government in interviews of some 48,000 households. What it shows is the percentage of children who have certain difficulties depending on whether they were raised with both parents or were raised by a never-married mother with no father. In every column—being suspended from school, having emotional problems, displaying antisocial behavior—it is quite clear that the child, whether male or female, whether white, black, or Hispanic, is at much greater risk of having these difficulties—prematurely ending school, having emotional problems, engaging in antisocial behavior, including delinquency—if that child lived with the mother only.

It is not on this chart, but I will add one note. Only at the highest income level, that is to say mothers earning over \$50,000 a year, the Murphy Brown income, if you will, is the child immunized from the consequences of being raised with a single parent.

Table 2 is not a snapshot, it is a motion picture. It follows children in this country over many years as part of the National Longitudinal Study of Youth. The three columns show these children the income levels of their parents—the bottom 10 percent, the median income, and the top 10 percent. And inside the boxes are numbers reflecting the probability that a child of a certain income level with a certain family structure will or will not have the highest levels of juvenile delinquency, according to that child's own reports.

And again you see that no matter what the income level is, children raised by single mothers with no fathers present are significantly more likely to be at the very highest level of delinquency.

The final table, table 3, puts this into a world context and reinforces the point that my colleague, Glenn Loury made. We are part of a worldwide change in the family. This shows the percentage increase in out-of-wedlock births from 1960 to 1992, from countries as different as Australia, Canada, Denmark, Italy, Japan, the

Netherlands, Switzerland, the United Kingdom, and the United States.

Now, the conditions of growing up as an out-of-wedlock child differ in these countries, but throughout the world, we have seen a fundamental shift in the attitude people have toward the importance of marital commitment. This underscores the difficulty of the task of pushing on the thread in order to reweave the sweater.

Now, why is it that at any income level and for any racial group, being raised in a mother-only family makes you worse off? There are three reasons. First, resources. Two parents can provide more love, more time, and more money than one parent. Second, role models. Children, but especially young boys, need adult role models; young boys especially need fathers they can respect.

And third, community maintenance. A neighborhood that consists of one or two single-parent families will not have its social control threatened. But once you have created a neighborhood in which all or most of the children are growing up in single-parent, mother-only families, you are creating a neighborhood with men, but no fathers. As a result, the social control that all communities try to maintain is weakened, because the people who primarily provide that order, fathers who take responsibility for their children and their neighborhoods, are absent.

Why has there been this increase in illegitimacy? Since it is a worldwide phenomenon, it clearly is not because of a defect peculiar to the United States. Since it has been going on since the early sixties, in good times and bad, it clearly is not simply the result of the business cycle or of changes in unemployment rates.

I believe it is the result of a change in the level of stigma or shame that is attached to the idea of an out-of-wedlock child; I believe it is a result of a change in the commitment that the modern family, especially the modern young family, brings to the marital bond. I believe it reflects in part the availability of governmental entitlements. But I do not think that reversing the entitlements, as Professor Loury accurately said, can change all of the problems.

We must recognize that we have always had at-risk children. But when that 800 pound gorilla, the Federal Government, walked into the room with AFDC, it frightened away or pushed off into the corner many of the programs designed to help those children, and now we forget that they ever existed.

For decades we have had charitable boarding schools where parents could voluntarily place children who needed care. For decades, we have had maternity homes, such as the Florence Crittendon homes, where young women could live shortly before giving birth and then for a year or so thereafter in order to learn how to take care of their children.

We have had family shelters and group shelters, many of them now being operated by religious groups. It seems to me that it is incumbent on the Federal Government in redesigning the welfare program to take advantage of those private initiatives and to encourage the States to experiment with those initiatives. The States should be encouraged to fund family shelters and maternity homes, to allow money to flow through churches, the Salvation Army, and other groups, for the purpose of providing an environment in which the next generation of children can grow up without being part of



a world in which they learn from everything about them that they have no reasonable expectation of marriage, that sex is about action and not about commitment, and that fatherhood is less exciting than being a free floating impregnator.

Thank you.

[The charts follow:]

Table 1

	Suspended From School		Emotional Problems		Antisocial Behavior	
	Both Parents	Mother Only	Both Parents	Mother Only	Both Parents	Mother Only
Males	6.4%	24.3%	3.3%	4.7%	27.5%	36.0%
Whites	4.1	9.1	2.7	6.8	23.5	27.0
Blacks	8.5	18.2	2.3	3.3	28.6	37.4
Hispanic	6.9	16.5	1.5	6.3	28.1	34.1
Below \$10K	5.0	16.2	2.3	5.4	23.8	37.9

SOURCE: "Family Structure and Children's Health: United States, 1988", Series 10, No. 178, National Center for Health Statistics.

DATA: 1988 National Health Interview on Child Health. Interviews with adult household members for 17,110 children ages 17 and under living in a sample of 47,485 households.

"Both Parents" = Child living with both biological parents

"Mother Only" = Child living with never-married mother and no father.

Table 2

CHANCES OF A WHITE MALE BEING A DELINQUENT,  
BY FAMILY STATUS AND PARENTAL INCOME

Family Status	PARENTAL INCOME		
	Bottom 10%	Median	Top 10%
Two Biological Parents	8.1	8.8	9.2
Unmarried Mother	14.3	15.4	16.1

DATA: National Longitudinal Study of Youth. Family Status measured when boy was age 14. Delinquency was self-reported; numbers in Table are probability (e.g., chances in 100) of boy reporting more delinquents than 90% of the other boys.

Table 3

## PERCENTAGE OF OUT-OF-WEDLOCK BIRTHS

	1960-1992		
	<u>1960</u>	<u>1992</u>	<u>Change</u>
Australia	5%	24%	19%
Canada	4	29	25
Denmark	8	46	38
France	6	33	27
Germany	6	15	9
Italy	2	7	5
Japan	1	1	0
Netherlands	1	12	11
Spain	2	10	8
Sweden	11	50	39
Switzerland	4	6	2
U.K.	5	31	26
U.S.A.	5	30	25

SOURCE: Daniel Patrick Moynihan, "The Great Transformation," The American Enterprise, Jan./Feb., 1995, p. 41.

Chairman SHAW. Dr. Bennett.

**STATEMENT OF WILLIAM J. BENNETT, PH.D., CODIRECTOR,  
EMPOWER AMERICA**

Mr. BENNETT. Thank you, Mr. Chairman, ladies and gentlemen. It looks like the moral of the story has been taken up by my colleagues, so as much as I am used to being asked to address that, let me try to get a few facts on the table in addition to what has already been brought up.

I agree with everything that has been said so far and I don't think anything of a political nature has yet been said by members of this panel. I do want to say that the jurisdiction of this Committee does border on the jurisdiction of another problem which will have to be addressed. If it is true that attention is going to have to be paid to the welfare problem, and I congratulate you for paying that kind of attention, attention must also be paid to the drug issue. You will not get ahold of the welfare problem unless you get ahold of the open air drug markets and crackhouses.

If the places that Jim Wilson and Glenn Loury are talking about, the homeless shelters, and the shelters for unmarried women and their babies are places where drugs are readily available, we will just compound our problem. So at another time we can talk about that.

This March marks the 30-year anniversary of a report called the "Negro Family: The Case for National Action," which is also known as the Moynihan Report. It is one of the most important pieces of social science ever produced. This 78-page report offered by Senator Moynihan, now the senior Senator from New York, then an Assistant Secretary at the Department of Labor, concluded the breakup of the black family constituted the single most important social fact in the United States.

When the Moynihan Report was made public, Newsweek magazine referred to its stunning numbers. The "New York Times" editorialized that whatever the index of social pathology, it is apparent that the Negro family in the urban areas of this country is rapidly decaying. William Ryan of Harvard, one of Moynihan's most prominent critics, warned of frightening statistics about broken Negro families, illegitimate Negro children and Negro welfare recipients. Martin Luther King, Jr., categorized the existing breakdown of the Negro family as a social catastrophe.

That was then, consider now. In 1991, 68 percent of all black births were out of wedlock. Only 6 percent of black children born in 1980 will live with both parents through age 18, according to some projections, and more than 70 percent of black children will have been supported by AFDC payments at one point or another during childhood.

In recent testimony at a Senate Finance Committee hearing chaired by Senator Moynihan, Professor Lee Rainwater of Harvard predicted that by the end of the century out-of-wedlock birth rates for minorities will be 80 percent, while the out-of-wedlock birth rates for Americans as a whole will be 40 percent.

The Moynihan Report had little to say about the white family save that the white family has achieved a high degree of stability and is maintaining that stability. Alas, Mr. Chairman, that stabil-

ity has now dissolved. During the intervening 30 years, white family structure has been severely eroded by high rates of illegitimacy, divorce, desertion, and welfare dependents.

White illegitimacy, for example, has increased from 4 percent in 1965 to 22 percent in 1991. The percentage of white females who are divorced has risen sharply. If these trends continue, they will have even more serious consequences for American society than the decline of the black family, since whites constitute a much larger segment of the population.

This rapid and massive collapse of family structure is without precedent among civilized nations. Our country cannot sustain it; no country can. No society has ever survived with single parenthood as the norm. The American public in general, and the black community in particular, would surely give its collective eyeteeth to wake up one morning and again face the frightening statistics of 1965. Those so-called frightening statistics, Mr. Chairman, would be good news today.

The Committee should consider this question: What words can adequately describe the situation we are in now if frightening statistics describe 1965? If social catastrophe was what Moynihan called the situation three decades ago, how do we describe it today? Well, this report, the Moynihan Report, places our current situation in historical context and it clearly reveals two things.

One is that the Nation has taken a ruinous social slide over the last three decades. The other is that we have become in many ways inured to the trauma. One thing we need to guard against is viewing these out-of-wedlock birth rates as sterile or abstract numbers, because behind these numbers there are real life stories, tragedies, wasted lives. Although single women can do a fine job raising children—my mother was divorced, she raised my brother, Bob, and me, it is a lot harder to do alone. We know also that the chances of successfully raising children in a single-parent home are not nearly as good as raising children in a two-parent home. Every civilized society has understood this. They have known too that you cannot raise young boys to become responsible men unless there are other men, good men in their lives. Jim Wilson has spoken to that already.

I think the relevant question for this Committee then, Mr. Chairman, is the degree to which welfare programs have unwittingly promoted illegitimacy. I think a strong case can be made that welfare has contributed a lot to illegitimacy. It sustains it and it subsidizes it, and what you subsidize you usually get more of.

Welfare is illegitimacy's economic life support system. I believe that the intellectual debate about the role of welfare and illegitimacy is essentially over. President Clinton helped end it when he said in an interview,

I once polled 100 children in an alternative school in Atlanta, many of whom had had babies out of wedlock, and I asked them, if we don't give any AFDC to people after they have had their first child, how many of you think it would reduce the number of out-of-wedlock births? Well over 80 percent of the kids raised their hands. There is no question that ending welfare for single mothers would work. The question is, is it morally right?

That is a good question. I believe the answer is yes.

There are a number of sound policy options from which to choose. I would very much like to see a radical devolution of power, that is, return power, money, and responsibility back to the States, those laboratories of democracy. In any case, Mr. Chairman, we are now engaged in a vigorous debate about the best means to reform welfare, but it is important that we keep in mind the end game, namely, sometime soon we want welfare to end.

When it does, we can judge those policies and their broad social implications against reality. Mr. Chairman, our welfare system is the most pernicious government program of the past quarter century. It is also ironically one of the best intentioned. We have lost large parts of an entire generation because of the terrible human wreckage left in its wake. Enough is enough. It is time to pull the plug—for the sake of the children. Let's get to it.

Thank you.

[The prepared statement follows:]

**TESTIMONY OF WILLIAM J. BENNETT  
EMPOWER AMERICA**

Mr. Chairman and Members of the Committee:

It is a pleasure to address this committee on a subject of enormous importance. Illegitimacy is the single most destructive social pathology in modern American society. I appreciate the Committee's decision to focus attention on this issue, and the willingness of many of you to tackle it head-on.

Mr. Chairman, I believe that any meaningful reform of our current welfare system must address the problem of illegitimacy. My statement will thus focus on the significance of the increase in illegitimacy; the attendant human cost; and the role of our current welfare system in sustaining and perpetuating illegitimacy.

**The Increase in Illegitimacy**

This March marks the 30-year anniversary of "The Negro Family: The Case for National Action" -- also known as the Moynihan Report, one of the most important pieces of social science ever produced.

This 78-page report, authored by Daniel Patrick Moynihan, now the senior senator from New York but then an assistant secretary at the Department of Labor, concluded that "[The break-up of the black family] is the single most important social fact of the United States today.... At the heart of the deterioration of the fabric of Negro society is the deterioration of the Negro family. It is the fundamental source of weakness of the Negro community at the time.... The family structure of lower class Negroes is highly unstable, and in many urban centers is approaching complete breakdown."

When the Moynihan Report was made public, *Newsweek* magazine referred to its "stunning numbers." The *New York Times* editorialized that "whatever the index of social pathology...it is apparent that the Negro family in the urban areas of this country is rapidly decaying." William Ryan of Harvard (one of Moynihan's most prominent critics) warned of "frightening statistics about broken Negro families, illegitimate Negro children, and Negro welfare recipients." Martin Luther King, Jr. categorized the existing breakdown of the Negro family as a "social catastrophe."

That was then. Consider now.

In 1991, 68 percent of all black births were out-of-wedlock. Only 6 percent of black children born in 1980 will live with both parents through age 18, according to some projections. And more than 70 percent of black children will have been supported by AFDC payments at one point or another during childhood. In recent testimony at a Senate Finance Committee hearing chaired by Senator Moynihan, Professor Lee Rainwater predicted that by the end of the century out-of-wedlock birthrates for minorities will be 80 percent, while the out-of-wedlock birthrate for Americans as a whole will be 40 percent.

The Moynihan Report had little to say about the white family save that "the white family has achieved a high degree of stability and is maintaining that stability." Alas, that stability has

now dissolved. During the intervening 30 years, white family structure has been severely eroded by high rates of illegitimacy, divorce, desertion and welfare dependence. White illegitimacy, for example, has increased from 4 percent in 1965 to 22 percent in 1991. The percentage of white females who are divorced has risen sharply. If these trends continue they will have even more serious consequences for American society than the decline of the black family, since whites constitute a much larger segment of the U.S. population.

This rapid, massive collapse of family structure is without precedent among civilized nations. Our country cannot sustain it; no country can. The American public in general -- and the black community in particular -- would surely give its collective eye teeth to wake up one morning and again face the "frightening statistics" of 1965. Mr. Chairman, the committee should consider this question: what words can adequately describe the situation we are now in? If "social catastrophe" described the situation three decades ago, what words can possibly describe our much worse situation now?

The Moynihan Report places our current social situation in historical context, and it clearly reveals two things: one is that the nation has taken a ruinous social slide over the last three decades. The other is that we have become in many ways inured to the trauma.

### **The Human Cost**

One thing we need to guard against is viewing these out-of-wedlock birth rates as sterile or abstract numbers. Behind these numbers there are real-life stories and tragedies and wasted lives. Although single women can do a fine job raising children -- my mother was divorced and raised my brother Bob and me -- it is a lot harder to do it alone. And we know that the chances of successfully raising children in a single-parent home are not nearly as good as raising children in a two-parent home. Every civilized society has understood the importance of keeping families together. They have known, too, that you cannot raise young boys to become responsible citizens unless there are other good men in their lives -- men who will spend time with them, discipline them and love them.

There is a large economic dimension to illegitimacy. Children in single-parent families are six times as likely to be poor as those in intact families; and far more likely to stay poor. Consider just two Census Bureau facts: (1) the family income of black two-parent families is almost three times the family income of white single-parent families; and (2) children in white single families are two-and-a-half times more likely to be living in poverty than the children in black two-parent families. The 1991 median family income for two-parent families was \$40,137. For divorced mothers, it was \$16,156. And for never-married mothers, \$8,758.

But there is more -- much more -- than economics involved. Children in single-parent families are more likely to drop out of school; do poorly while they are in school; have emotional problems; become criminals; use drugs; be a victim of violent crime; and be physically and sexually abused. In short, we are producing a lot of "at risk" kids. And as



John J. DiIulio, Jr., professor of politics and public affairs at Princeton University, recently wrote, "they become juvenile and adult violent crime victims and criminal predators. They end up jobless and on welfare. They do drugs and get sick. A high fraction of the black males finish life in prison (nobody visits) and dead (nobody mourns) well before their time."

### *The Role of Welfare*

One of the reasons that I have some confidence in the direction the nation is heading on welfare is that increasingly there is agreement on two important premises. The first is the widespread acceptance of overwhelming empirical evidence: the current system is a complete failure. We have spent enormous sums -- \$5 trillion -- over the past three decades on welfare programs, and what do we have to show for it? An underclass which is much larger, more violent, more poorly educated and which consists of many more single-parent families.

The second area of agreement is on an important moral principle: having children out-of-wedlock is *wrong*. Not simply economically unwise for the individuals involved, or a financial burden on society -- but morally wrong. Even Secretary of Health and Human Services Donna Shalala, she of impeccable liberal credentials, said in an interview that "I don't like to put this in moral terms, but I do believe that having children out-of-wedlock is wrong." I hope that the administration and the Congress enacts legislation which is intellectually consistent with that analysis.

The relevant question for this committee, then, is the degree to which welfare programs have (unwittingly) promoted illegitimacy. I think a strong case -- a commonsense case -- can be made that it has contributed a lot. Welfare may not cause illegitimacy, but it does make it economically viable. It sustains it and subsidizes it. And what you subsidize you get more of. Welfare is illegitimacy's economic life-support system.

I believe that the intellectual debate about the role of welfare in fostering illegitimacy is essentially over. President Clinton helped end it when he said in an interview that "I once polled 100 children in an alternative school in Atlanta -- many of whom had had babies out-of-wedlock -- and I said, 'If we didn't give any AFDC to people after they had their first child, how many of you think it would reduce the number of out-of-wedlock births?' Over 80 percent of the kids raised their hands. There's no question that [ending welfare for single mothers] would work. The question is...is it morally right?" That is a good question -- to which the answer is "yes." It is morally right because many more people would live better if we scrapped the current system, which subsidizes out-of-wedlock births.

I believe that making adoption easier is an essential and compassionate part of welfare reform. Adoption is the best alternative we have to protect a child's interest in a post-welfare world. The demand is virtually unlimited (at least for very young children), but current laws make adoption exceedingly difficult. Lifting restrictions on interracial adoption and easing age limitations for adoptive parents will help ensure that large numbers of

children will be adopted into good, stable, loving homes. And for older children we must invest generously in the kinds of congregate care and group homes that provide order and love.

I will admit that there are easy answers on this issue; every reform will involve some social dislocation. The fact is, no policy proposal is free of a potential downside. Unfortunately, we have inherited a disaster.

My own view is that ending welfare is prudent and humane -- prudent because the social science evidence is in: illegitimacy is the surest road to poverty and social decay. And welfare subsidizes and sustains illegitimacy. It is humane because, again, many more people would live far better lives if we scrapped an entire system that subsidizes out-of-wedlock births. Here's "tough love" on a large scale: end welfare, and young girls considering having a baby out-of-wedlock would face more deterrents, greater social stigma and more economic penalties arrayed against them if they have babies. There would, therefore, be far fewer births to unwed mothers, and far greater life opportunities for those girls.

I applaud the new Republican majority for taking serious steps toward dismantling the current welfare system. That you are willing to re-examine the core assumptions of current welfare policy is very good news indeed, as is the fact many Republicans are challenging the idea that AFDC, housing subsidies and food stamps should retain their status as open-ended entitlements. While I don't embrace every part of the welfare proposal outlined in the "Contract for America," I believe it is a good start. It is far better than what we have now.

There are a number of sound policy options from which to choose. I would very much like to see a radical devolution of power -- that is, return power, money and responsibility back to the states, those "laboratories of democracy," where the most innovative and impressive reforms are taking place. I think that you'll agree that the governors have a far better track record than the Congress when it comes to implementing genuine welfare reform. I have outlined here some of the broad policy outlines which I would like to see states embrace. But we should give states the freedom to experiment; what works in Utah, after all, may not work nearly as well in New York.

We are now engaged in a vigorous debate about the best means to reform welfare. But it is important that we keep in mind the end-game; namely, sometime soon we want welfare to end. When it does we can judge those policies, and their broad social implications, against reality.

Mr. Chairman, our welfare system is the most pernicious government program of the past quarter century. (It is also, ironically, one of the most well-intentioned). We have lost large parts of an entire generation because of the terrible human wreckage left in its wake. Enough is enough. It's time to pull the plug. For the sake of the children.

Let's get to it.

Chairman SHAW. Thank you, Dr. Bennett, and I thank also Mr. Wilson and Dr. Loury.

Mr. Camp, would you care to inquire?

Mr. CAMP. Thank you, Mr. Chairman. Professor Loury, can you tell me why the rate of illegitimate births rose sharply in the late eighties? Has your analysis allowed you to draw any conclusions in that regard?

Mr. LOURY. Mr. Camp, no, I can't. I am not aware of any analysis that has specifically, in the technical literature, that has specifically addressed that question, nor can I think offhand of anything obvious that has changed in the environment of the late eighties to which one could attribute.

Mr. CAMP. All right. Dr. Bennett, you mentioned the drug problem. My question is, how has the current welfare system contributed to the rising crime rate and drug abuse in America, and what factors may have been involved?

Mr. BENNETT. Well, Mr. Camp, I think any police sergeant in the country will tell you that the day the welfare checks go out is a big day for drug buys. That is just the way it is. That is just the way the world works, and it has been in the drug literature. You know we have a phrase called "enabling behavior." Unfortunately, in the case where people have reached bottom or close to bottom, they use what money is available to buy drugs.

Second, the neighborhoods in which you are trying to do constructive and positive things, are beset by open air drug markets, by the presence of criminals, and the like. Good people don't want to be on the streets. They may not want to walk to church or take that course in remedial education because of the threat on the street.

When I was Drug Czar, Mr. Camp, whenever I went to a city—and I went to 105 cities—I would ask to be taken to the worst place. The place I almost always ended up was public housing. There was the world Jim Wilson described, a place of women and children. There were no men there, except of course the day we got there, when there were lots of cops, local bureaucrats, camera crews and so on. But about the only men around on a daily basis were the drug predators who were waiting to make their easy hits. So at least in those ways the two are connected, and in other ways too.

Mr. CAMP. Thank you. Dr. Loury, I appreciated your testimony and the complex factors that have resulted in some of the problems you are discussing today. Would you agree with the statement that welfare subsidies sustain illegitimacy?

Mr. LOURY. Yeah. The statement is true almost by definition in the sense that the entitlement status of the mother who presents herself with the child born out of wedlock and is therefore able to receive the check both provides a direct subsidy and also becomes a lifeline, becomes a way of sustaining herself in that condition. So that is certainly true.

Mr. CAMP. Thank you. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you very much, Mr. Chairman. Mr. Bennett, in your testimony you stated that the social science evidence says illegitimacy is the surest road to poverty and decay. I would like to

take issue with that statement and point out that according to the most respected social scientists, just the opposite is true. That is, poverty and decay are the surest roads to illegitimacy.

I guess in the most recent data, 1988, the National Center for Health Statistics indicates that most teens do not want to get pregnant for any reason. In fact, 85 percent of these teen births are unintended. That means only 15 percent were intended and out of the 15 percent, half of those births were to teens 18 and 19 who were in fact married.

Mr. BENNETT. What is your question, sir?

Mr. FORD. Well, you make this statement that the surest road to poverty is through this out-of-wedlock birth.

Mr. BENNETT. You don't think that is true?

Mr. FORD. Well, it is clear that among teenagers from the ages of 15 to 18 in many cases, in the majority of the cases that, yes, that is true. But when you have to say that these kids are in poverty, then the teenage—I mean the teen pregnancies take place and once again they are still in poverty; it is not teen pregnancy and poverty, it is poverty and pregnancy.

Mr. BENNETT. But it may sure go a long way toward keeping them in poverty. I mean we do, Mr. Ford, know some things about what improves your chances of getting out of poverty, and I think the literature—I am going to have to yield to James Wilson or Professor Loury here, they can comment as they wish, but I believe the literature is pretty clear that if you are in poverty and want to get out of poverty, there are certain conditions you need to satisfy.

There are not a whole lot of them, but they are pretty straightforward. Finish high school, get a job or marry someone who has a job and don't, if you are a woman, don't get pregnant before you get married. And I think that if you observe those conditions, your chances of moving up in American society are pretty good. If you don't, I think they are pretty bad. But on the overall social science evidence, I would like to yield to my colleague.

Mr. FORD. Should we take some preventive measures, though, before these teen pregnancies take place and let's take a closer look at what Head Start does and how we can educationally, socially—

Mr. BENNETT. Sure. We should take a hard look at the evidence, we should take a hard look at programs. I will tell you one of the best programs I know of is a program my wife runs in this city called Best Friends. It is a program for teenage girls in the District of Columbia and it has an extremely low rate of pregnancy among the girls who participate.

There are programs like this around the country. They need to be rigorously evaluated and assessed, but I believe it has been demonstrated that there are programs that can encourage young women in the direction they ultimately want to go.

Mr. FORD. Mr. Wilson, you talked about out-of-wedlock births in 15 European countries in your testimony with the charts from the Moynihan data. It is clear that out-of-wedlock births are high in other countries, but when you look at those teenage pregnancy problems and that other countries have generous welfare benefits, certainly it is not equal to the percentages that we are faced with

in this country if we are looking at just the welfare benefits themselves when we talk about how we ought to cap families simply because children are having children for the sake of welfare benefits.

With generous benefits you see in other countries as you stated in your testimony, you will see that our teenagers are having a much higher rate of teenage pregnancy problems than they are faced with in other countries that have much more generous welfare benefits.

Mr. WILSON. That is quite correct, Mr. Ford. That is why I wanted to focus my testimony not on the relationship between money and pregnancy or money and welfare, but rather on the relationship between out-of-wedlock births and behavior. Because even in these other countries, in Sweden, in the United Kingdom, children born out of wedlock to a mother who never marries, are increasingly at risk for delinquency.

Mr. FORD. And they are taking other steps in early childhood education, they have been able to give child allowances and protect the children before the teenage pregnancy problem takes place.

Mr. WILSON. The problem is not whether we want to prevent teenage pregnancy, the problem is whether we prevent it among young women who never get married, because in no matter what country you do that, you are putting the child at risk, and reducing the risk to the children ought to be our primary goal.

Mr. FORD. Why do you think cutting welfare benefits from teenagers would force this problem to go away?

Mr. WILSON. I don't believe that taking welfare benefits away from teenagers would cause the problem to go away. I think it might ameliorate it. I think we don't know enough yet about what would make this problem go away and that is why I would like to see the widest possible experimentation at the State and county level with the Federal Government serving as a monitor and evaluator to see whether, instead of sending welfare checks to the young girl, it helps to send them to family shelters in which the mother and her child are raised in an environment that promotes a different set of expectations for the child and absolutely protects them from the drugs and alcohol in the streets.

Mr. FORD. That family shelter that you are talking about would mean the mother and the child?

Mr. WILSON. Of course, of course. Oh, absolutely.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman, and thank you, gentlemen, for your testimony today. Before I ask some questions, I just want to make it clear to anyone who may be listening to this discussion that the bill under consideration, or that at least was attached to the Contract With America, does not call for cutting off Medicaid to children who are born to teenage single women and does not call for cutting off food stamps. It only calls for cutting off cash AFDC benefits and housing subsidies, that is it. So we are not talking about throwing these kids out on the street completely, not giving them any support at all—we are just talking about cash and housing subsidies.

Now, having said that, I would like to clear up at least a question that I have. I think Dr. Bennett directly addressed the ques-

tion of whether cutting off cash would contribute to solving the problem or not—or perhaps ameliorating the problem of teenage pregnancy, illegitimate births in this country.

But Dr. Loury, you and Mr. Wilson kind of hinted around, but you never really hit it squarely. I would like to know from you, do you think that the steps that are outlined in the proposal that we are talking about, taking away cash benefits and housing subsidies, would have any effect, any positive effect on the rate of illegitimacy among teenagers in this country?

Mr. LOURY. Well, I think it is hard to say with any precision because we don't have scientific evidence. My gut is it would have some effect because it makes it now more difficult for the mother to contemplate. And so the incentives for her are moved in the right direction. But I am doubtful that it will have a big effect. We can argue about what is big. Big enough to make us think that we really made a dent in the problem. That is my sense of it.

Mr. WILSON. Could I add one thing?

Mr. MCCRERY. Sure.

Mr. WILSON. The State of New Jersey has experimented with a cap on welfare benefits, denying extra benefits or increased benefits to a second child born to a woman already on welfare. Professor June O'Neil of Baruch College has written an evaluation of this, which you may be familiar with, and she does find some effect. It is a fairly well-done study with the usual scientific controls. This suggests to me that what common sense suggests is true; that if people can't get money for having more children, they are less likely to consider having them.

But I want to endorse Professor Loury's view that neither her data nor any other data that I know of suggests that zeroing out the cash benefit or even materially reducing the cash benefit will make a dramatic difference, at least in the short run, as to how many children are born out of wedlock. Because if this is a worldwide phenomenon, if it is the result of some cultural redefinition of what marriage and commitment is all about, we can't expect that changing the cash income of a family by \$100 or \$200 a month is going to make that big a difference. It seems to me that we have to think about changing the character and the commitment because that will make a bigger difference. The best way to do that—

Mr. MCCRERY. Unfortunately.

Mr. WILSON [continuing]. Is to resocialize those children.

Mr. MCCRERY. If I might grab back my time. Unfortunately, some of those things aren't within the power of this Subcommittee. The welfare program is, though. And so I am going to take the liberty of saying that you both agree with me that at least this would be a positive step toward fighting the problem of illegitimacy in this country. And if you disagree, I will give you a chance to say that.

Dr. Bennett, one word from you, though, about your suggestion and your praise of the move toward devolution of authority for these programs to the States. I agree that the best system would be for the States to handle these programs, for the States to raise the revenues to support these programs and for the States to create them and manage them.

However, we are a long way from there, I think. While I agree with your general statement that devolution of power to the States is desirable, I think, at least for now, we need to have some guidelines from the Federal Government to the States, such as a work requirement, such as time-limited benefits, such as no cash to teenagers having babies. Do you agree with me that we ought to, at least for now in maybe a transition period, attach a few strings to the money that we give back in block grants to the States?

Mr. BENNETT. Yes, you may decide that is the most plausible way to go. I think that in many ways the political question, Mr. McCrery, turns on what you think you can work out most cooperatively with the Governors. I would think in terms of principles rather than rules in terms of your guidelines, because I think it is important to let the States try some things. About the only successes we have, I think you will agree, in this whole universe of welfare have come from State initiatives. The evidence shows that there have been some successes, some modest improvement in New Jersey, in Michigan, in Wisconsin. So I would want to encourage in that direction.

We also need, as Professor Loury said, to try a host of different things, different kinds of institutions. Remember, your task here is finite. You cannot fix this problem. You are only the Federal Government. This is a cultural problem. It is a moral problem of tremendous dimension. You cannot, if you do everything right, end illegitimacy in this country because of the other things that are involved. Do not commit the fallacy of the sufficiency of government, now a Republican sufficiency of government substituting for a democratic sufficiency of government.

Mr. MCCRERY. I agree with that. However, surely you wouldn't suggest that we allow the present system to continue as it is?

Mr. BENNETT. No, sir. I think that is what is critical, is that we look at the present system. When people say what will happen here, what will happen there, what will happen to this child, what will happen to that child, against what standard, Mr. McCrery? It has to be judged against the current standard. Look at what the last 30 years have wrought. Look at the body count. And then try some things. Whatever you do, don't stay the course.

Mr. MCCRERY. Thank you. We are going to have to recess for just a moment. The next questioner will be Mr. Collins followed by Mrs. Kennelly. We will recess for as short a period as possible. Probably about 10 minutes.

[Recess.]

Chairman SHAW [presiding]. If the guests could be seated and the Members take their places, we will commence with the questioning.

OK, Mr. Collins, you will inquire, followed by Mrs. Kennelly.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Wilson, you mentioned both compassion and responsibility, the fact is that this Nation is one of compassion. All of us are very compassionate when it comes to people who are in need. But with compassion comes good intentions. There is an old saying that the road to the poorhouse was paved with good intentions. And I think that is what has alarmed this whole Nation—the fact that many

things that we do out of compassion and out of good intent have led us into a deficit situation. This Nation is flat going broke.

Also, in the area of responsibility, I think the Nation as a whole wants to see more responsibility, more responsibility from the individual in the area of families. And I think some of the ideas that we are trying to put forward which will stop giving cash benefits to certain people of certain age groups may, in some way, assist with that responsibility. Do you not agree with that?

Mr. WILSON. I share your view that it is desirable to reawaken our sense of responsibility and not to have programs that erode it. My view is, however, that to get from this world where that sense of responsibility has broken down to that world in the bright future where it will be alive and well and require no government program, we have to move through several stages of rebuilding generations that are now at risk for being lost. And it seems to me one of the reasons why I would like to see some part of cash benefits go to fund family shelters is because I believe that the fundamental mistake we are making is to think that the government can act on the individual directly.

The government can best act through mediating institutions. I would like to see the generation of children born yesterday, about the same time my grandson was born, and the generation that is going to be born next raised, if they are at risk, in an environment where they are taught responsibility, as well as compassion, and protected from drugs and alcohol and grow up not believing if you are a male that a sign of respect and reputation in your neighborhood is your ability to impregnate more than five women.

Mr. COLLINS. I agree with that. I have no problem with that. That leads me to the next phase of my questioning, and that is that in the steps that you mentioned, it is kind of common knowledge that we are overall at least a generation away from making an overall change in the situation. In the attempt to change that generation, based on what has happened in the last 30 or 40 years, should we phase in steps to make those corrections? And any of you can join in. And I want to give you an example of phasing in. The Georgia Legislature, in 1992, on an education bill that was going through, put a provision that just simply said that the year—in the year beginning 1996 that any child who was 16 years of age who dropped out of high school or did not enter into some other type of educational program, like a GED equivalency, and they were on—receiving AFDC benefits, they would lose those cash benefits.

Now, the key point was 1996. That left the gap for those who were 16 to 20 to be phased out of the system and not affected. It also gave 4 years for those who would be entering into that situation the thought that they need to prepare to finish school or continue their education. Do you think there are other areas that we could do that type of phasing out or phasing in of programs that would assist people and still shift some of the responsibility?

Mr. WILSON. I think there are many such programs. I think we might want to phase in a program where the AFDC check must be given on condition that the father has been unambiguously identified so that at least child support can be collected.



Mr. COLLINS. The question is, though, at what point in the future should these types of regulations or changes in law go into place? Should they be immediate? Should they be 2 years, 4 years out?

Mr. WILSON. I don't think we yet know enough to have one national rule that fits all the States. What we have learned about the relationship between welfare and work and the promise of certain workfare programs was the result of State initiatives extracted from a reluctant Federal Government. What we know about potential welfare caps were State initiatives extracted from a reluctant Washington.

What I would like to say is not, "What is the date certain by which these things should be phased in?" but how best, using our fiscal resources and legislative imagination, can we encourage a sufficiently radical level of State experimentation so that in 1996 or 1997 we really know what works.

Mr. COLLINS. Thank you.

Chairman SHAW. The time of the gentleman has expired. This panel can only be with us approximately another 20 minutes. They have another commitment requiring them to leave at 11:40, so if we could expedite the questions.

Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman.

Mr. Chairman, I don't want you to think that my willingness to go along with regular order did not highlight my disappointment that there was not another witness at this table. I can't speak for Dr. Loury or Dr. Wilson, but I know Dr. Bennett as millions of Americans know him on television.

You not only do not mind a different philosophical viewpoint, you delight in it. And I think this problem before us that we want to solve needs every philosophical point of view and every idea that we could have. So I would hope we could get one of our representatives just so we could have more ideas.

I was listening to you, Mr. Wilson, about what happens when you have a community where you have more than you need, obviously, and more than you would want of unwed mothers with children and you said that the first person to step in at a certain point is the police. And I just would like to keep the record straight, having looked at this question and having been studying this question for years, especially as a city councilwoman and living in an urban center, the grandmother is often the intervener, the protector, the one that tries to make it work when it falls down for the child. And so I would just like to give her credit, because she is the one who tries to keep the police from the door often.

Having said that, there is one other thing I would want to say. I would hope that as we move together—all of us want to lower the number of out-of-wedlock births. There is no doubt about it. It has gone beyond acceptability, it has gone beyond what we can handle. But in the process, let's don't stigmatize the child as it used to stigmatize you if you were illegitimate. The Catholic Church wouldn't ordain somebody that was illegitimate. I couldn't figure that one out, but that was the way it was. And I would think no matter how conservative you are, you would know that there are going to be unintended births, we have to deal with that.

The other day we had a panel of experts on adoption, and they were here about the tax credit in the Contract for adoption, and we all think that is—that it is a good idea for special needs children especially. But these experts kept getting back to the fact that they were afraid that the adoption assistance program that we have in place for special needs children would be hurt and that if we didn't—if we just gave across-the-board credit and we didn't give to it the special needs, those children would be in foster care and be hurt. When I asked these experts if they thought this plan to have a child under 18, not have assistance, insisting that the child—and it is a child, 15, 16 years old, in the home, we asked them did they think it would increase adoption, they said no. What they were afraid of is that the child would be in the home. Because every mother loves their child, and the child would stay there for maybe 2 years, then be put up for adoption when they are a special needs child. We know some of these homes are dysfunctional homes. Have you thought out what we do—now, I know what you are saying, Mr. Wilson, nonprofits. Do you think there is a possibility that we will come up with any funding for a home for the mother and the child so the atmosphere can be a good atmosphere? I mean, what do we do if this—in our haste to reform, we get more special needs children and that is—that is the result and we are looking around at that some years from now?

Mr. BENNETT. Well, let me comment first, we may disagree. I hope we will restigmatize, Mrs. Kennelly. That is the only way I can put it. Not the child. You should not stigmatize the child. They should not be stigmatized or blamed for things.

Mrs. KENNELLY. You hope we will restigmatize?

Mr. BENNETT. No, the child should not be stigmatized. You should not be blamed for things over which you have no responsibility. But unless we start stigmatizing these men, for example, the men Jim Wilson cited who think it is a show of macho and maleness to impregnate five women, unless we can as a society stand there and say this is wrong, we are finished as a society if we don't know that fundamental difference.

Mrs. KENNELLY. Dr. Bennett, I thank you for saying that.

Mr. BENNETT. Good.

Mrs. KENNELLY. Because in the Contract, we don't even address that. It is all the woman's responsibility. I thank you for that.

Mr. BENNETT. Well, I am glad we agree on that. It is a very important part of it. As with the drug war, as Mr. Rangel can remember, it was only when we got to the point where we could say drug use was wrong that we started to make some progress.

Mrs. KENNELLY. Thank you for that, too. Because along this reform area that we are going, we have preventive drug programs that look like they might be under attack, also. And Dr. Bennett, I live in a city. I know how hard it is to get that young woman from her bedroom, her living room—

Mr. BENNETT. Right.

Mrs. KENNELLY [continuing]. Out to the street when those drug dealers are there. That is when impregnation often happens, when those people are around, don't have drug training. Go into the prisons on a drug charge and come out as a serious drug user. So thank you for that, too. I hope you talk to people who you influence

and make sure they are aware of unintended consequences as we move toward the need for reform.

Mr. BENNETT. We are bound to have unintended consequences pretty much no matter what we do. But the thing that I want to emphasize is that the burden of proof has got to be on anyone who wants to say that we shouldn't experiment, we shouldn't try different things, that the current system is fine. On grounds of body count and compassion, the current system has to end.

Mrs. KENNELLY. I agree with that, too, sir.

Chairman SHAW. The time of the gentlelady has expired.

Mr. English will inquire.

Mr. ENGLISH. Thank you, Mr. Chairman.

Secretary Bennett, many in the welfare reform debate, particularly on the left, seem to be associating compassion with aggregate levels of Federal spending on welfare programs. In your view, is it possible to reform the current spending levels for welfare?

Mr. BENNETT. Yes, I imagine you could. Money is not the issue, to me. That is not the part I care about. I think the American people would be happy to pay the bill that they are paying now if it worked. We have been upping this bill for 20, 30 years. I think if we were getting results, the American people would say fine, pay it. But things are getting worse, not better.

My guess is—my guess is that you could probably do it for less, but it all depends. It depends a lot, I think, on what gets funded, what takes the place of things that are now being funded. Some things will be more expensive, some won't be expensive at all.

I just want to make one point. The single most effective thing that can happen to a person is for that person to examine his or her own conscience and decide they want to change their lives. I am thinking here about some of these men again. I don't know how we get to them. But I will tell you what I learned in the 105 visits as Drug Czar. Life refocusing efforts that do not have a moral or spiritual component are doomed to failure.

In the business of welfare and drug treatment, if we are not in the life refocusing business, we are wasting our money. And I think the three of us believe that you have a much better bet using your resources—maybe a smaller amount of resources, in an institution which can address the person at a moral level and at a level of personal responsibility and a religious level than through a government bureaucracy. I just think your odds of success are better there. If I have spoken incorrectly—

Mr. ENGLISH. So aggregate levels of spending then are a blunt instrument for assessing a policy—

Mr. BENNETT. Absolutely.

Mr. ENGLISH [continuing]. When it comes to welfare reform.

Dr. Loury, you have spoken very eloquently on the limits of the ability of welfare policy to address some of the underlying concerns. Let me ask you, in your view, how can government policy best accommodate those character-forming institutions you talked about in your testimony?

Mr. LOURY. Well, I would like to associate myself with some of the things that Jim Wilson has been saying about trying to get involved in interacting with the recipients. We must look to those institutions that have the authority and the fine discriminating ca-

capacity in the way in which they interact with these women and their children, to be able to help them change their lives, help the women change their lives. That is, when the check or a part of the check goes to the church, then the church and the congregation of people who know the community, who know the local situation and who have a history of involvement and concern with the person, can bring all of that to bear in saying let's assess the situation; what is needed here? What can you do? Are you really trying? Did you do the right thing, and so on. They can project to that person a set of ideals credibly. Not preach at them from a mountain on high, but put to them in terms that they can understand in their own language and the concrete conditions of their own lives and say, look, John over here is living the right way, Judy over here is living the right way, we want you to be able to do that, too. We want to help you. We are concerned about you. This is what you have to do. We are going to be here for you but we expect something from you.

When you have all of that, it seems to me, you have the ability to truly reach someone. And I think the policies should at least allow the possibility of invoking that kind of institutional capacity. And it may be that the design of that policy at the State and local level would be more likely to succeed in both identifying and holding accountable these local institutions for the doing of this kind of work.

Mr. ENGLISH. Thank you, Dr. Loury.

Thank you very much, gentlemen.

Thank you, Mr. Chairman.

Chairman SHAW. Ms. Dunn will inquire.

Ms. DUNN. Thank you, Mr. Chairman.

Welcome, gentlemen. Obviously, the goal of this welfare proposal that is in the Contract, what we are trying to devise today is to reform welfare in order to break the cycle of poverty that we believe begins with the young unwed mother having an illegitimate birth. I think it is a great tragedy. But for my edification, I would ask each of you to define for me a term that I think has gotten badly mischaracterized in this debate and consistently as we work toward a new paradigm, I would like to know from each of you how you define compassion.

Mr. BENNETT. Well, it is one of the virtues. Compassion literally means suffering with someone. Compassion isn't cheap. Compassion isn't just sort of tearing up while you are watching a soap opera. Compassion in the traditional sense, the moral, religious sense of the American tradition is to suffer with someone, and that means to be with someone, to act in a way so as to try to alleviate pain. This is very important vis-a-vis Mr. English's question because some people have argued, I think fairly persuasively, that simply sending money from the Federal Government is not only not a compassionate act, but you are trying to buy out of compassion.

The real compassion is volunteer work, that work that is done in churches, communities by a large number of American people. There is a problem in a society when you ask how compassionate are you? Well, look at the size of our budget. Well, what do you do with somebody? Do you work with an organization? Do you help children? No. But I sent my check last month. You can't get there

from here. We are human beings. Some of this has to be done in a human-to-human way. That is what compassion is, actually suffering with other people.

Mr. LOURY. He is the author of the "Book of Virtues" so I don't know if I can add anything other than to say I would have said something about a deep and abiding concern for the welfare. I think that is implied by what Dr. Bennett has said, for the welfare of another. And that that involves a respect for the dignity and worth of the person and that sometimes the way in which that concern and respect is shown is not by what it is that you have given but by what it is that you expect of the person.

Mr. WILSON. Compassion arises because of the natural feeling we have for our own children and they for us. If you think what compassion means in a family, it doesn't mean letting a 6-year-old do whatever he wants. It means coupling love with expectations, coupling concern with responsibility. It means tough love.

Programs that change people by spiritually or morally refocusing the lives of people are based on that philosophy; 12-step programs are compassionate programs but they do not let you get away with just anything. They hold you to very high standards of behavior. And they do it without any money, without any bureaucracy. That is compassion. It is not a warm, fuzzy feeling. It is an engagement that reconciles love with expectations.

Ms. DUNN. Thank you. And since I am still under the deadline, I ask you my second question which, in my mind, relates to what you have just done for me. If you were writing this welfare reform plan as we are at this moment, what would your proposal look like? What would you include in it? Where can we make a difference?

Mr. WILSON. Could I start? I don't know how to write bills. I am an ivory tower professor. But I would hope some way could be found to encourage the States to use the cash component or all of the component of welfare, the welfare package, to experiment radically with very wide alternatives, subject to only two real conditions: That they have to be done on a racially and ethnically non-discriminatory basis—

[Disturbance in hearing room.]

Chairman SHAW. I would remind the lady that you are a guest here. If you would please be seated, you are welcome to stay. Otherwise, I would ask that you leave. Can I ask that the ladies be removed from the hall if they cannot act as our guests.

Mr. FORD. Mr. Chairman, they sound pretty good to me. It sounds as if we ought to let them speak and replace these three men.

Chairman SHAW. I would ask the Ranking Member of this Committee to please support me when I am trying to maintain order.

Mr. FORD. Mr. Chairman, I do support you in maintaining order. But I think they have made the point that we have made on this Democratic side of the aisle. We have three males talking about problems that women are faced with in the poor communities of our society. I respect all three of them.

Ms. DUNN. Mr. Chairman.

Mr. Chairman—

Mr. FORD. I don't think they are that much of an expert.

Ms. DUNN. Mr. Chairman, I am a woman member of this panel. I am very interested in what our witnesses are saying. I would ask that they be allowed to continue.

Chairman SHAW. We will have a balanced hearing, but we are going to proceed in an orderly fashion.

If the gentlelady from Washington will proceed.

Ms. DUNN. Thank you very much, Mr. Chairman. I would ask that our witnesses be allowed to give us their point of view. As the only woman Member of this Subcommittee, I happen to be very interested in all pieces of advice. We are writing an important, expensive bill. It is time to get on with solving this problem that the people have elected us to address.

Gentlemen.

Mr. WILSON. I apologize, Mr. Chairman, for being male, but it was a matter beyond my control.

I would hope that the bill could, by a use of guidelines, principles, or financial incentives, or all of the above, encourage the most radical experimentation among States in alternative ways of supplying child care to young people who are in the predicament we are describing. And that would include family shelters, maternity homes, welfare caps and other devices.

One of the remarks I heard from a person before she left the room was that many persons on welfare have suffered from abuse. That is indeed true. And that is why dealing with this problem as if we were sending checks from the National Treasury to an individual ignores the social context into which these problems have emerged. It sends checks to people who may be suffering from these problems, passing these problems on to their children and living in communities where there is no succor.

It seems to me establishing a mechanism whereby we fund, at least in some places, self-contained communities, invented communities, homes to do this, we would learn more than we now learn by either spending more money or less money to individuals. And I think the Federal Government ought to reserve out of the welfare budget a small amount to be used for careful and objective evaluations of what these States do. We have learned a great deal from what MDRC has told us about workfare. And our knowledge is vastly greater because of the work of Judy Gueron. We must do the same, I think, with new inventions.

Chairman SHAW. The time of the gentlelady has expired.

I would like to yield at this time to Mr. Rangel, who will be the last questioner.

Mr. RANGEL. Thank you, Mr. Chairman.

I hope this panel would not believe that it would not be a panel that I would not have personally and politically selected. So I hope that you don't have a stigma merely because the Republican leadership selected you. I just wanted to make certain that we participate in the selection.

We all agree there is a serious problem. We all agree that the Democrats in 40 years have not provided a solution and we soon are going to agree that the Republicans haven't come up with one. One thing that is abundantly clear is that we are going to have to do something about it because it is terrorizing the communities where people are trying to find hope for the future.

I, like Mr. Bennett, was raised without a father, but I bet you we were raised in communities where men and community leaders felt they had an obligation because of racism and segregation. Black professionals couldn't get out of my community, so I went to church and I saw lawyers and I saw doctors. I bet you that everyone had an opportunity to get a job. We had low-level jobs that people could get that gave you dignity and hope that you could do better. But we are not talking about that today. Those were the good old days, even though I didn't know it.

But today, a large number of the people that we are talking about, if we are allowed the luxury even to forget their color, since you know, it embarrasses some people to talk about it, if we just pick the communities of the highest poverty, the highest unemployed, the highest homeless, the highest number of people, Mr. Bennett, who are addicted, the highest number of people that are selling drugs on the street, the highest number of people that have relatives and family in jails, I bet you that we would be dealing with the mothers that are having these children. We used to be able to say unwanted children. But when a teenager can have so little hope for her life, so little expectation of marriage, no stigma at all that she wants this child just for love, we got a problem.

And these kids that we are talking about are running around with pride knowing that they can bring in a life and just walk away from it, one of the problems that they have is that they know one thing: When we talk about America and high-tech jobs and all of these international agreements, they know you are not talking about them. They know that people are not leaving those schools getting jobs. They know that they have no hope for the future that they would become a part of the American dream, and quite frankly, if it wasn't for 4 years in the Army, 1 year in combat and the G.I. bill, I would not have had more self-esteem than I deserve coming from the community in which I came from.

So what I am saying is that while the experts come up with their solution, no one is going to challenge me that if we did in these communities what we are prepared to do this week for Mexico, to give a guarantee of \$40 billion to educate its people, to make them productive, to make them competitive, to make them consumers, to buy American goods, I bet you one thing: If we did that in these inner cities, you will tell me that the persons that are working, that are educated, that are producing and contributing to society are not the ones creating these problems. You know it and I know it. But we don't talk about investing in these communities. We are now talking about solutions that if it is possible are worse than democratic solutions that are in this bill. So my question is this: Since we all agree to the depth of the problem, let's find out some of the solutions that are recommended and see whether or not you would agree with me that as bad as Democrats were, this ain't much better.

They would suggest that as we allow the States to experiment with alternative ways to deal with this problem one of the things mandated is that if the mother is 18 years old and not married, period, end of story, no benefits for the child for the rest of his childhood. Does that make any sense at all? They would suggest that if someone was on welfare and got pregnant the second time, they

don't want to hear any excuses. That pregnancy means you should never expect anything for the second child. They would suggest that if a woman got pregnant and the father was identified and the State did nothing to establish paternity that it is not the State's fault. No benefits for the child because paternity was not established.

Now, we want to really try to deter these births, but if we all agree that these kids want these children and that dollars are not the motivation that they are doing it, I think you would agree with me that these solutions are not the answer and that we should continue to come together and work together to try to find out whether we can do better.

Mr. Chairman, I hope that we can get this panel together in a room and in an unpartisan way, and not look at each other's registration cards, even though I suspect Dr. Bennett's is different from mine, and see whether or not we can come up with some answers, because we have agreed on the depth of the problem and what is causing it. And whether poverty is causing illegitimacy or whether out of wedlock is causing poverty, who cares? We want to stop both.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you. Thank you, Mr. Rangel. And I would like to thank this panel. My apologies to Mr. Neal.

Mr. RANGEL. Mr. Chairman—

Chairman SHAW. Because we are out of time.

Mr. RANGEL. The only thing I wanted to know is whether or not these three points, the 18-year-old cutoff, the no-paternity/no-benefit, and the fact that if you are not working in 2 years, whether there are jobs there or no jobs there, are supported by any of you?

Mr. ENSIGN. Mr. Chairman, we didn't get a chance to question.

Chairman SHAW. Mr. Ensign did not question. I would ask the panel to reply to Mr. Rangel in writing to those questions.

[Mr. Wilson's reply follows:]

We now know so little about how best to reduce welfare spending, enhance the lives of the affected children, and facilitate the mothers' movement into the work force that I would support a few carefully controlled and carefully evaluated experiments doing each of these things in interested States. Only by doing this can we assess the costs and benefits of these strategies. Until we learn these things, I would oppose a blanket Federal ban that would deny benefits to any girl under the age of 18, to girls that fail to establish paternity, or to girls unable to find work within 2 years. I would, however, support a Federal law that allowed States to try these things, provided that Federal funds were supplied to evaluate their efforts.

Mr. RANGEL. You can nod your head if you want if you agree.

Mr. BENNETT. It is more complicated than that. Remember the old drug war days? We have put a treasure, a fortune, into our cities and the results aren't too good, I will tell you. I don't know how many trillion dollars we have put in programs and the results are not impressive. If we could have bought our way out of this problem, things would be a lot better now than they actually are.

Second, I would actually support some of those proposals in some places to see what works. You want to do something different probably in South Dakota than you want to do in New York City. But yes, I think that the kind of thing they did in New Jersey, some



of the proposals that you mentioned ought to be tried in some places.

Again, you have to measure this against the benchmark of what we have got now, and what we have got now is disaster. I actually think that in some places if you adopted the rule that any child born to somebody under 18 will not receive Federal funds, you would actually see fewer children born out of wedlock. You would see less misery. You would see some break in the cycle.

It wouldn't eliminate it, but I think in some places this would be a very rational and intelligent way to go. My own guess is, as I said before, is that we are going to have our best luck, our best success working through those mediating institutions where the message is not just cash, but cash plus expectations. Some demand, some expectation that people adjust their behavior. But we have got to get the burden of proof right.

This ridiculous debate that has gone on the last few weeks about snatching babies from the arms of mothers to throw them into orphanages, there is no snatching of babies. Mothers are being—babies are being thrown by their own mothers into dumpsters, out on the street, put on radiators. I mean, we have got catastrophes going on now in many of our communities.

That little boy was that buried in Chicago, that 11-year-old that was buried with his teddy bear, he was—as the Cook County social worker said, this boy was a sociopath by the time he was 3 years old. And there are hundreds of cases like that every month. So you know, the burden of proof has to be better than what we have got now. I think you could try a dozen things. My guess is if you were sensible about your dozen, eight of them would be better than what we have got now.

Chairman SHAW. Thank you. I would like to thank the three members of the panel for being here with us today.

Moving on to the next panel, I have consulted with Mr. Ford, who agrees with me, we are going to have a reverse in order and it certainly is in no way slighting the second panel. But the third panel is on their lunch hour and they have to get back to work. And I would like to go ahead and get them on.

At this time I would like to introduce Pam Harris White of District Heights, Maryland. She is a property manager for a private employer. She is a former recipient of Aid to Families with Dependent Children. Our other witness is Amy Hendricks of Temple Hills, Maryland. She is a student and former recipient of Aid to Families with Dependent Children.

If these two ladies would please sit down at the witness table.

Mrs. KENNELLY. Mr. Chairman.

Chairman SHAW. Yes.

Mrs. KENNELLY. May I just make a point about what happened a few minutes ago.

I certainly do not condone, would never condone public interruption of committee meetings. But I would just like to make a point of what is happening out in the country. Women are being very frustrated and a lot of our initiatives on welfare reform is the responsibility of the woman, responsibility of the mother. This is to highlight the reason why some of us think child support enforcement legislation should travel with this legislation. Those young

women that just spoke up from the audience drove down this morning, I understand, from Massachusetts with a 2-year-old. You should try being in a car with a 2-year-old for 8 hours. And what they are saying, they are frustrated that they are not being heard from. We understand we have a witness situation. If child support enforcement was looked on as important as welfare reform, I think we could satisfy the lack of understanding that we are dealing with helping women as well as trying to make them take the entire responsibility for what is happening in this country.

Chairman SHAW. I would like to address this issue and I think the gentlelady from Connecticut will be glad to learn that I intend to offer an amendment to the bill on precisely what you are talking about, and that is the child support enforcement provision. We are working with the administration now and hopefully we are working with your staff also in order to come up with a noncontroversial amendment that all of us can agree to.

Mrs. KENNELLY. I am very glad to hear that, Mr. Chairman.

Chairman SHAW. OK. Ms. White, would you please proceed with your testimony? We have the written testimony that we will place in the record and you may proceed as you see fit.

**STATEMENT OF PAM HARRIS WHITE (FORMER RECIPIENT OF AID TO FAMILIES WITH DEPENDENT CHILDREN), DISTRICT HEIGHTS, MARYLAND**

Ms. WHITE. Good afternoon. My name is Pam Harris White, and I would like to thank the Committee for giving me the opportunity to provide testimony. You are to be commended for getting input from persons who have received welfare and can relate to the question of welfare reform from a frontline perspective.

A word about myself. I believe my experience on welfare is a microcosm of the issues, problems and challenges faced by single parents, a valuable resource in determining how best to reform the system. Thank you. I am a 39-year-old mother of four children. I had my first child at the age of 15. This dramatically changed my life because although I lived with my parents, I dropped out of school to care for my child. As a young dropout with no diploma, no marketable skills, no child support, I applied for and received public assistance. This started a vicious cycle and what I call the yo-yo syndrome. I wanted to work. I tried to work. However, I did not make enough money to support my family. And so I found myself back on welfare. I did obtain my diploma but my lack of skills stopped—they still provided my, you know, with a stumbling block. So the cycle continued. I got married. I got divorced. And now with four children, I was back on welfare.

I was well below the poverty line and began to wonder how and if I would ever make it. My hope and motivation was always my children. I became determined to do whatever was necessary to ensure that they had the opportunity and did not have to experience life the way that I had experienced it. So I found a program called Project Independence which was for single parents. The program gave me the thing that I lacked. That was skills.

Today I am gainfully employed as a property manager and I am totally independent of welfare. I want to add with pride that all of my children are doing very well. My oldest son is the—he is in his

last year of law school. Next to him is my youngest son. He has his own business. My two daughters are doing well in middle school.

I bought and purchased my own home. They are all drug free. They have never been involved in criminal activity and I am not a grandmother.

Now, to the focus of the deliberations today, my life experience tells me that while illegitimacy obviously increases the welfare rolls, that most women do not become pregnant to get welfare, nor do they have additional children to increase their benefits. Rather, the causes of teen pregnancy are multiple.

Teens tend to act before thinking of the consequences. Poor motivation and lack of education are key factors. I must also add that a lack of values and the decline in the morals and religious beliefs are also reasons why teen pregnancies occur, with the high cost to both the person and to society.

To close, I believe welfare reform needs—I believe welfare needs to be reformed. It must be time limited so that there is clearly a beginning and an end. There should also be performance standards, which the recipient must meet to continue to receive welfare. Examples of these standards are community services, skill training and responsible parenting. There should be something you work for, not wait for.

Finally, there needs to be a strong support system that is there to encourage the support during the downtimes that are sure to occur. The PIC Program provided me this support. We must tell it on the mountain that welfare is not an end but a means to an end, employment and self-sufficiency. The reform package must supply the resources, the tools to enable the welfare recipient to gain the necessary skills to be truly independent.

I again thank you for the opportunity to testify.

Chairman SHAW. Thank you for your testimony, Ms. White.  
Ms. Hendricks.

**STATEMENT OF AMY HENDRICKS, STUDENT (FORMER RECIPIENT OF AID TO FAMILIES WITH DEPENDENT CHILDREN),  
TEMPLE HILLS, MARYLAND**

Ms. HENDRICKS. Good morning. My name is Amy Hendricks and I am a high school graduate and I come from a very motivated family. I went to college. While in college I became pregnant and had a baby out of wedlock. I dropped out of college and I had my son. Two months after my son was born I was awarded assistance, AFDC, Aid to Families with Dependent Children.

The reason why I got on welfare was because I didn't have the education or possess the skills necessary to get a job that would support my child and myself. With no serious career plans, I could not support or provide my son with the things he needed, such as child care, transportation, food or shelter, and I realized early that I could not make it without an education or specialized skills training, because I wanted my son to have an opportunity in life.

What it was like for me being on welfare is that I was on welfare for 7 months. During those 7 months, I would sit down and cry because I was so frustrated and depressed. I knew I didn't want to be on welfare. I wanted—my goal was to finish college.

At the time I applied for welfare, nobody in the system, the intake worker or anyone else discussed with me ways or assistance to make welfare short-term. While at home, I knew I wanted a college education, but I could not make the connection to get back in school. I was being pushed back and forth in the system.

As I continued to try to find a way off welfare, the system told me to wait until my child was 3 years old before I could get into a program, but I just couldn't accept that. That is when I got mad and I began to fight. I started going back asking questions of my caseworkers, exploring on my own options that were available to me.

Through this exploring, I found the Project Independence Program, which is run by private industry counsel. My son, Jason, has just turned three. If I had done what the system wanted me to do and just waited, I would just be in the process of going to school. But instead, I am graduating May 25, 1995, at 7 o'clock from Prince George's Community College, and I have been accepted to the University of Maryland information systems and management program. I am so glad I am a fighter because the system tried to keep me down, but I would not let it.

We need a welfare system that will help people when they are down and out, not keep them down. Thank you.

Chairman SHAW. Thank you for your very fine testimony.

Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman. I applaud both of you ladies for your tremendous show of courage. When I was a young man, my parents were divorced and so I grew up with a single mom until my mom married later in life, and so I experienced a lot of things.

But 30 years ago, when she would have actually made quite a bit more money going on welfare at the time, there was quite a bit of a stigma attached in the community to go on welfare. What we did is we lived with other families, my grandparents helped out quite a bit, would help buy our schoolclothes. There doesn't seem to be that support system any more in the community with families nearly like there used to be, and there also doesn't seem to be the stigma attached to going on welfare, so that it is easier in some cases where someone may have fought earlier to get off and not get in that dependency cycle.

Do you feel that in this welfare system, by getting it more back to the local areas, by trying to strengthen churches and community to get more involved, do you think that will have any impact in the communities as far as having fewer people go on welfare in the first place?

Ms. WHITE. Yes, I do. You made a statement also about support systems. Unfortunately, grandmothers have to work now, so grandmothers are at work also. But the churches, the community at large, can be the second family too, you know, help support mothers that are on AFDC.

I would also think that if there is something implemented as to where the mother has to work, to give back or something in that nature, it helps build that person's self-esteem. I can't imagine anyone feeling that it is OK to be on welfare. It is a very degrading feeling. People, to me, I think once you go to apply for it, assist-

ance, you have to have it. I mean you are in that state where you have no other alternative.

The way it is set up now, it can entrap you, it can box you in, so that with the reform that you all are putting together, the package that you are putting together, if you were to mandate that in order to receive public assistance, that mother would have to punch a clock perhaps or volunteer at a hospital or wherever their interest is. This would, of course, put them in the arena of saying look, I am going to work for this, instead of sitting home and looking at soap operas, I am now going to apply for the next position that comes available.

There is a whole spectrum of things that need to be done, and I am sure that you all are looking at, besides the mere fact that one is just getting a check, there is a whole spectrum. The child support issue is a very large issue that I hope will be addressed. Because if the fathers were more responsible, there would be less people on welfare.

Mr. ENSIGN. Some of the people have mentioned the fathers and that this welfare reform doesn't take into account the fathers nearly enough. What do you think can be done about bringing some accountability back, making people take responsibility for the children that they are fathering? I know it is a very difficult question. Believe me, we are having a lot of difficulty with it up here, too.

Ms. WHITE. I am trying to form it in a way that will be acceptable. You really can't implant in people and clone in people the fact that they should be responsible. No one should have to make them do anything. However, because we have come to that arena now, that you have to make them, we need to strongly enforce the consequences.

If you don't take care of your kids, you go to prison. If you don't take care of your kids, we garnish your check. I mean we should stop playing with them, pitty-patting. We need to actually have something in line where there is a consequence for not taking care of your kids. It is just that simple.

Mr. ENSIGN. Getting back to myself when I was a child, we had a father who did not pay the child support payments, living across State lines. I understand the difficulties of that. Anyway, thank you for your testimony today. I appreciate it.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman. Ms. Hendricks, you were how old when you got pregnant?

Ms. HENDRICKS. I was 22 years old.

Mr. FORD. You were out of high school and all of that.

Ms. HENDRICKS. Yes.

Mr. FORD. Was this an intended pregnancy?

Ms. HENDRICKS. No, it wasn't an intended pregnancy.

Mr. FORD. Was it that before you were pregnant, did you think in terms of if you got pregnant, you could go on welfare to take care of your child.

Ms. HENDRICKS. No. After I had my child and I did work before I went to college, but after I had my child I found it very difficult to work and go to school and take care of him, and I saw the only means was to go on welfare to support my child until I could better myself and get a college education. But it was very depressing. It

felt as though the system had just trapped me in and I was looking for a way out.

And it seemed as though the system, as it is now, was content to just have me stay in the system and not go to school and get out. And if I wasn't a fighter and didn't look for a way to get out, I think that I would just be—it would become a way of life, a culture, to just be on welfare, and that is not what I wanted.

Mr. FORD. Are you receiving child support now for your child from the father?

Ms. HENDRICKS. From the father? No, I am not.

Mr. FORD. You are not. Have you tried or made any attempts to do so?

Ms. HENDRICKS. Yes, I have.

Mr. FORD. What if they had taken your child from you at birth if you had applied for AFDC for the child? What would have been your reaction if, according to Speaker Gingrich's proposal and some of the first childbirths, if they had taken that child from you, would you have been able to cope with that? What would have been your response or reaction to that?

Ms. HENDRICKS. Well, I don't believe in abortion. If they had taken my child from me, I think it would have been devastating to me.

Mr. FORD. Had you known that they would have taken the child away from you at the time, would you have considered the abortion?

Ms. HENDRICKS. No, I am not a believer in that. I don't think I would have chosen that route.

Mr. FORD. All right. Had you not been able to receive welfare benefits, do you think you would have been where you are today, graduating from a junior college and accepted into the University of Maryland?

Ms. HENDRICKS. No, I don't think so, because I think everyone at some point in time may need help or some type of assistance, and I think it should be there for them. You know, sometimes you have stumbling blocks, but I think you have to—

Mr. FORD. So the AFDC was a bridge for you to move on to have a child, to get some support and move right on with your educational opportunities; is that correct?

Ms. HENDRICKS. Yes.

Mr. FORD. Thank you very much, Mr. Chairman.

Chairman SHAW. Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman. For the record, our Republican proposals don't suggest any such thing such as taking a child away immediately.

Ms. White, you mentioned that there should be consequences for someone who doesn't take care of their child. Could you elaborate on that a little bit?

Ms. WHITE. I guess the only thing that I could elaborate about would be to quote from the Bible. A man who doesn't take care of his family is worse than an infidel. It is just that simple. You know, there are consequences in life. He had mentioned, Mr. Ford had mentioned the issue about taking your children from you.

Mr. CAMP. Yes.

Ms. WHITE. No one—I think that parents, husband, wife, they plan pregnancies. People make mistakes. But when you make a mistake in your teens, you are going into this thing for the thrill of the moment. You are not looking at there is a possibility of a baby, and these days and times with AIDS, the possibility of even death, I am saying that something needs to be done.

There are many, many children that are being birthed, the father is here or across the State line, as he said, the mother is there struggling with the children wanting better for her children. I just feel that there ought to be something implemented that will make both parents responsible.

When the ladies were here, the outbursts that they made, I felt for them because I understand the pain that they are experiencing. Mothers feel like why should I be carrying this load alone? It takes two to tango. Where is my partner? He should be made accountable.

Mr. CAMP. Thank you. Ms. Hendricks, you said that because of some of the rules and regulations you felt like you were held down. Is that because—why don't you tell me more about that.

Ms. HENDRICKS. OK. I said that the rules and regulations, it felt like they were holding me back because it seemed like there weren't any programs, that they were content for me just to stay in the system and keep receiving a check instead of trying to go out and better myself, and I think it became depressing and it is also frustrating to just have to sit back in a system when you know you can do better.

I think there needs to be more programs or whatever. You know, people need to have a way out. When you go into the system, I don't see anyone saying, well, this is the way out. Let's make this short-term. I think a lot of times they just get content to be in the system, and I don't think that is right.

Mr. CAMP. So you would like to see either an incentive or something that would spur people on a little bit to get off of welfare and try to better themselves?

Ms. HENDRICKS. Yes. Some help as far as that, yes.

Mr. CAMP. And did you feel, as you—and I congratulate you for what you have done and wish you all the best. Do you have a better feeling about yourself since you have gotten off welfare and have made the advances you have made?

Ms. HENDRICKS. Yes. I do feel that my self-esteem has gone up a lot. I do feel better about myself on the whole because I feel like I am going to be productive in society now. I see a way out, you know. I see hope as far as that I am going to get my degree and I can move on with my life. I feel like once you do get into the system sometimes you get pushed around and you get trapped in it.

I think they need to sit down and really listen and talk with individuals and find ways, you know, programs where people can better themselves, a way out of the system, not just to be content to be in the system, but it should be like a steppingstone to help you get out of the system and better yourself.

Mr. CAMP. Thank you. Thank you, Mr. Chairman.

Chairman SHAW. Ms. White, let me ask you a question. I believe you said you were 15 years old when you had your first baby; is that correct?

Ms. WHITE. Yes, I was.

Chairman SHAW. And that you lived at home.

Ms. WHITE. Yes.

Chairman SHAW. And I assume your family was supportive?

Ms. WHITE. Yes.

Chairman SHAW. Looking back, would you have been equipped emotionally or mentally to have gone into a home setting of your own?

Ms. WHITE. No, sir.

Chairman SHAW. And received the cash benefits without just someone sending you a check every month?

Ms. WHITE. No, sir, I don't think so. I think that at the age of 15, looking back, I was still a child and I had made a mistake and with my parents' nurturing and constant preaching, it helped me to regain a lot of my self-esteem, because what happens I think a lot of things that are not mentioned, or that is not known is that the dropout rate is high for teenage pregnancy as well, because the person transforms. They are no longer like the average teenager. They are now a parent, so there is something to look at in that as well.

But they were nurturing to me and I don't think that I would have been able to support myself and do the things that are necessary to run a household at 15, no.

Chairman SHAW. Thank you.

Ms. WHITE. May I add something also?

Chairman SHAW. Yes, please do.

Ms. WHITE. I had read something where the average timeframe that a person is on welfare is approximately 9 years, and it is just my thinking that if this is true, then perhaps we need to find something that would invest in the people, again, talking about short-term programs.

If we invest in people, we invest in the family, then we could nip a lot of things in the bud and we won't have a cycle of families, mothers being on welfare, their children, their children's children and so forth. We need to really look at investing in people.

Chairman SHAW. Thank you.

Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman. Ms. Hendricks, congratulations on your graduation. It looks like a good future.

Ms. HENDRICKS. Thank you.

Mrs. KENNELLY. Could you just tell me, you were using the system, you used the system the way it was supposed to be originally used. When you have a rough patch in life, then you have AFDC to hang on to until you get back on the right track, and you did it beautifully.

When you were going to school now—first of all, when you were on AFDC, you took care of the child. Then when you got off AFDC and you went back to school, am I right?

Ms. HENDRICKS. No. I am currently still on AFDC right now, but I am going to school. I am getting my degree in May, but I am currently still on AFDC. But I do plan, after I get my degree and I start work, I do plan to be off of AFDC permanently.

Mrs. KENNELLY. Who took care of your son while you were at school.



Ms. HENDRICKS. Through the program, Project Independence, they paid for child care for a relative to stay home and take care of my child.

Mrs. KENNELLY. So, obviously, that was a great help.

Ms. HENDRICKS. Yes. Without that, I wouldn't have been able to go to classes and put in the amount of study time which I needed to obtain good grades. It also helped relieve some of the stress of not worrying is my child OK while I am in school, knowing that he is being taken care of well.

Mrs. KENNELLY. Once again you proved the point that it is very hard to do without good child care.

Ms. HENDRICKS. Yes.

Mrs. KENNELLY. By the way, thank you, Ms. White, for speaking out about child support enforcement and the Chairman said he is going to address that. And I hope, Mr. Chairman, that we will take a look at the bipartisan bill that the Women's Caucus is doing and, hopefully, it is not just in a block grant. But it is a necessary part, Ms. White, you think, not just for you to try to do right, but the father of the child to support the child?

Ms. WHITE. Absolutely. The children need both parts, because you are breaking a cycle. If you look at the history of women on welfare, nine—well, I don't know the percentages, but I will just say for the record.

Mrs. KENNELLY. By the way, the percentage of the average time on welfare for a person is 2 years, not 9 years.

Ms. WHITE. Two, OK. If you look at the percentage of mothers that have children and they are on welfare and then their children end up in the system as well, that cycle, to me, can be broken if you invest in those children, if you invest in those children by investing in that parent. Because whatever that parent has, she is—even indirectly, she is teaching her children.

There are a lot of things, day care, affordable housing, this is a big spectrum, a big puzzle and there are many, many pieces that have to be focused on and put together in order for the reform to work.

Mrs. KENNELLY. Ms. White, were you on AFDC when you were living at home?

Ms. WHITE. For a period of time, yes, I was. I didn't get on right away, because, again, my parents took care of me. As I got older and I was fumbling through jobs and what have you, you know, waitressing.

Mrs. KENNELLY. Did you move out or did you stay at home?

Ms. WHITE. I moved out and I got on AFDC.

Mrs. KENNELLY. Thank you very much, and I congratulate you both.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman. I would like to add my congratulations to both of you, and particularly to Ms. Hendricks who is moving on and on, up and up, and that is what we like to see.

Ms. Hendricks, you were 22 years old when you had your child.

Ms. HENDRICKS. Yes.

Mr. MCCRERY. And so you are 25 years old now, I guess, or thereabouts.

Ms. HENDRICKS. Yes.

Mr. MCCRERY. And when did you first go on AFDC? When did you first begin collecting AFDC?

Ms. HENDRICKS. In October 1991.

Mr. MCCRERY. And have you been continuously on AFDC since that time?

Ms. HENDRICKS. Yes.

Mr. MCCRERY. When do you plan to move off of AFDC? Have you looked that far ahead?

Ms. HENDRICKS. Yes. After I receive my degree from Maryland, I plan to get a job and move off of AFDC permanently.

Mr. MCCRERY. You said earlier that the system seemed to want to trap you. Would you elaborate on that?

Ms. HENDRICKS. Yes. It seems as though they were content to just have me collect the check and get used to a certain culture or way of life, just collecting AFDC instead of looking at making it short-term and finding a route, a way out.

I felt like I had to do that on my own and I was very depressed being on AFDC. No—I didn't see any hope for, you know, a brighter future, as if I was going to find a job or something. It just seemed like I was just stuck. A cycle and I didn't—the outlook didn't look good. It looked like it was just going to be a continuous cycle, but I know that wasn't what I wanted.

Mr. MCCRERY. So do you think it would be OK for us to require people who are on AFDC to get schooling or go to work?

Ms. HENDRICKS. Yes. I think they need some type of specialized training or schooling, and they need to work, if they are able to work, yes.

Mr. MCCRERY. And this feeling of being trapped that you talked about was a result of the system telling you, you don't have to go to school, you don't have to do anything, you just need to collect your check every month.

Ms. HENDRICKS. That is the way I felt, as though they were telling me to wait until my child was 3 years old, yes.

Mr. MCCRERY. OK. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman. I enjoyed both of your testimonies and admire you both. The hopes of this and other Members is that we will break a cycle of poverty.

And as I listened to you all testify, especially you, Ms. Hendricks, it looks like you were beginning to be trapped and you noticed and saw that entrapment as it was taking place. Because if I heard you right, you said that there was—they told you to wait 3 years to try to raise yourself out of that trap or to get out of that trap?

Ms. HENDRICKS. Yes. As far as to wait 3 years before I attempted to get into a program, and that is when I began to look for a program on my own. I just didn't want to accept that.

Mr. COLLINS. I think that is great. And what was the program?

Ms. HENDRICKS. Project Independence. They have the JOBS Program as well as day care for children, which is essential for single parents in order to get schooling or training, and they have support groups there. Because your self-esteem can go down and I think that was very important.

Mr. COLLINS. Is this a local, a State of Maryland project, program?

Ms. HENDRICKS. It is located in Prince George's County. I am not really sure if it is—I think each county has their own type of programs. I am just familiar with Prince George's County because that is the county where I reside.

Mr. COLLINS. Good. Thank you. I am very proud of the fact that the State of Georgia is beginning to implement a program that is called a Work First Program. When someone in your situation applies for assistance, the first thing they do is try to help you at that point figure out how you can keep from becoming entrapped, and I think that is—you saw it on your own, but I am really proud of the State of Georgia doing that.

Ms. White, you mentioned the PIC Program, and the fact that we need to invest in people with expectations. The PIC Program is an example of that; is that not true?

Ms. WHITE. It is the same program.

Mr. COLLINS. I am very proud, again, of our State. We have what is called the Peach Program, and, of course, being the Peach State, you know. But it, too, invests in an individual with expectations of work after the program, but what we have run into is under the current law and some of the current regulations, especially in the area of housing, if there is also—if these adults are not living at home, they have their own apartment in subsidized housing. Once they complete the program, the PIC or Peach Program and go into the workplace, within so many days or months they have to report those earnings and once they report those earnings, then their cost of living in that particular setting goes up, because the rent is increased based on income, which immediately makes their bottom line less, and which is an incentive, then, to go back to where the bottom line was better and that is back into the entrapment of the system.

But the point I want to make, the PIC Program and the Peach Program both were administered at the local level and it is at the State level and not at the Federal level. Are you aware of that?

Ms. WHITE. I was not—I know that it needs to be nationwide, because it is just that effective. I would love to see a program of this nature nationwide.

Mr. COLLINS. Well, those are programs that are being implemented throughout the country, throughout the Nation. But the point is that they are locally administered or State administered and not federally administered, and that is, again, the gist of the GOP plan, the Republican plan is to help States with funds to implement programs that do invest in the individual with the expectation of good results, and to help them out of the trap.

I thank both of you for being here. I really enjoyed your testimony, and congratulations to both.

Chairman SHAW. Mr. Rangel will inquire.

Mr. RANGEL. Mr. Chairman, let me congratulate you on your lack of bias in selecting witnesses. Ms. Hendricks here is testifying and all of you are congratulating her, that somehow she got pregnant, she got in trouble, she went for help, it was complicated, but she had the drive and the initiative to say I am not going to get lost

in this system, I am going to go to school and make something out of myself.

Clearly, she has proven that and the system is helping her to achieve, and I hear over there, my God, isn't that wonderful. It is my understanding.

Chairman SHAW. It is a very fair hearing, isn't it Charlie?

Mr. RANGEL. Whatever. Whatever. My time, Mr. Chairman. Now, this lady should know that under your plan, Ms. Hendricks, under the Republican plan, you could do what you want for 2 years, but under this plan that we are listening to testimony today, at the end of the 2 years, if you are not working, that ends any support for your child. Do you know that, under the Contract?

Ms. HENDRICKS. No.

Mr. RANGEL. OK. That is why I wanted to congratulate the Chair for bringing you here, because that would have ended all of these hopes and dreams if at the end of 2 years we say, well, if you are not working you are out of business, right?

Now, Ms. White, I like when you said you were looking—you said it eloquently that, hey, this baby took two people and we really should try to make this person have some responsibility and not just do what he has done and walk away.

Do you know that in this bill before us under the Contract with all of America that there are no provisions that deal with this fellow? It is as though the women did it by themselves. Did you know that?

Ms. WHITE. Yes, I am fully aware of it.

Mr. RANGEL. And you testified that it should be there.

Ms. WHITE. It should be.

Mr. RANGEL. Let someone charge my Chairman with being prejudiced against Democrats. So these are at least two witnesses who say this bill would not work for them. But let me say this, thank God that the welfare system, as bad as it was and is, worked for you two. Thanks for coming.

Chairman SHAW. Does the gentleman yield back his time?

Mr. RANGEL. Yes, I do, Mr. Chairman, and thank you again.

Chairman SHAW. Thank you, Mr. Rangel.

Mr. English will inquire.

Mr. ENGLISH. Thank you, Mr. Chairman. During his testimony, Dr. Loury suggested that welfare reform should institute a system that sends the right signals to people in the system. You have, obviously, both been heroic in your efforts to escape from the welfare system, but what we have found is that because of some of the provisions in the current system, that Mr. Collins touched on, the fact that as you work your way out of the system, you receive progressively less access to help and to benefits. In fact, people in the welfare system trying to escape and trying to work, trying to better themselves, face some tax rates, something like over 70 percent on their extra effort.

I wonder if you can quantify your feelings on what sorts of signals this situation sends to you when you, if you are working your way out of the welfare system, have higher real tax rates than millionaires? Would you like to comment on that?

Ms. WHITE. Repeat the question, please.

Mr. ENGLISH. Well, you were working your way out of the welfare system and you were losing benefits because of the extra income you earn. You may be facing tax rates in effect greater than 70 percent, and that is higher than what we tax millionaires.

Dr. Loury said that he wanted to see a welfare system that would send the right signals to people in the system who are trying to work their way out. I wonder if you could give me your reaction to what sorts of signals the current system sends to you by penalizing your work to that extent. I know, it is an essay question.

Ms. WHITE. Well, just to reiterate something that she had said, she felt trapped and that she had to fight. Well, unfortunately, everyone does not have that fight in them, and what the system does is if you decide that you are going to go out and get a job, let's say you get a job that is minimum wage, well, if you can't afford to pay housing, and you are forced back into welfare, child support issue again, the signals to me that it sends is that they handcuffed you to stay still.

When the handcuffs are released and the support system is properly placed, that it becomes a springing board, then you can take, for instance, as an example, I remember I started a job. I was still in the system, and I had to report my earnings, but when you go to work, now you need a dress, stockings, shoes, your hair done, makeup. The kids need lunch, things that are additional to your grant. You get the same amount of your grant 12 months out of the year. However, your needs change and the grant needs to change.

You know, these are the signals that I got; that they are not trying to help me. However, when you think about the overall, if you look at the overall picture, the help should be consistent upon individual levels as opposed to just a pile of names and numbers.

Mr. ENGLISH. That makes sense.

Ms. Hendricks. do you want to add to that at all?

Ms. HENDRICKS. I think just to say again what Pam was saying that you do feel trapped, basically and the incentives need to be there also, I think.

Mr. ENGLISH. Thank you so much for taking the time out in your day to participate in this. I really appreciate your time, your willingness to come forward and offer personal experiences which so often are not included as part of the hearing process. So I appreciate very much your time.

Did you have something to add, Ms. White?

Ms. WHITE. I would like to add something. If it had not been, however, for the system being there, even in the condition that it is in, how would I have fed my kids? How would I have been able to support them? What would have happened to their medical needs? It is a need, it is definitely a need, and I know that you all feel that you have a great weight upon you. It is a need, and it needs to be reformed also.

It needs to take into consideration families. We need to get back to the family. We can't take people's children from them and send them to orphanages and think that that is going to solve the problem. What is going to solve the problem is we need to get back to basics, and that is our morals and our values and our religious con-

nections, community at large and realize that we are not in this melting pot alone.

Mr. ENGLISH. I quite agree. Thank you very much, Mr. Chairman.

Chairman SHAW. Thank you.

Mr. Nussle will inquire.

Mr. NUSSLE. Thank you, Mr. Chairman. Your testimony has been excellent today and it goes along very well with Ms. Kellog's from the first day—she happens to be here, and welcome back—and my understanding is that some of the work she has been involved in as well. So we are seeing kind of both ends of the spectrum here, both from the first day, kind of the big picture down to how this applies in specific situations, and you both talked about plans and how you need, you need to have a plan. You are going to unlock this, if you are going to get out of it, you need some help.

I mean, that is clear. You can't just throw people off. I know there are some people that would love to have that mischaracterization out there in the media right now that somehow people are going to be thrown off. That is fine if that is the way people want to play. That doesn't help us move forward, but that is fine if that is the strategy.

The question is, what kind of plan should we have? Is it fair to have a plan that says to people, we are going to help you, but we need you to help yourself. We want it to be for a specific period of time. We are going to give you a deal where you can participate in job training and get back on your feet and we don't want to lock you in. We want to mold to what you need, which is the way the Iowa plan works where I come from. We kind of tailor it to what you need, because one size doesn't fit all.

So is it fair to have a plan, and is it fair to have a time period where we say, this is when the deal ends and you got to work with us during that period and this is how we are going to unlock you from this dependency that you have been on for so long? Is that a fair way to present this to people?

Ms. WHITE. I think it is fair. I also think that your insight of one size doesn't fit all is the focus, because her situation is different from my situation. She has taken the initiative to want to go to medical school. She should be given that opportunity. Checks and balances. Just check her grades, make sure that she is actually going forward. You know, it should be something that is tailored to the individual. There should be limitations on the timeframe. And it makes sense to me.

Mr. NUSSLE. We were talking earlier about, you know, a 2-year timeframe, and I would address this to Amy. I mean would it be fair to have that kind of a timeframe and to suggest to you, this is how we are going to help, this is how we think you can help yourself and this is the timeframe that we think you can do it in. Would that kind of deal work for you?

Ms. HENDRICKS. I think you would have to be realistic with the timeframe if you were going to implement a timeframe, because for each individual, like Pam was saying, it is different.

Maybe you need to sit down and they need to make a plan to find out what exactly a person needs, how much time do they need and be realistic about it, not years upon years, but maybe enough time

for them to go to school or training, get specialized training or get what they need to move on so that they won't have to go back on welfare once they do get off.

Mr. NUSSLE. Well, just for the basics, just to, you know, get enough training and education to go out and find maybe your first job, maybe your second job. Do you think in your situation that 2 years would be a reasonable timeframe to get that training and at least—I am not talking about a college—I understand that takes longer, but just the training and experience and some education to get you on your feet for that first job, is that a reasonable timeframe?

Ms. HENDRICKS. For me personally, no.

Mr. NUSSLE. It wouldn't have been?

Ms. HENDRICKS. No.

Mr. NUSSLE. You don't think you could have gotten the training—I am just talking about your first job. I am not talking about a career. Obviously, it takes a while for that, but just for your first job, do you think you could have accomplished that in 2 years?

Ms. HENDRICKS. Well, I don't think I could have in 2 years, because there are other intangibles also that play a part of that, such as child care, because it is harder when you have a child to do those things. So I personally don't think 2 years would have been enough.

Mr. NUSSLE. And that is part of our current system, too.

Mr. FORD. Will the gentleman yield?

Mr. NUSSLE. Well, no, actually I don't have much more time, and I guess I would like to end with this question. If you thought—because it has been mischaracterized, I think, here today, that children will be taken away from mothers as soon as it happens and all of this kind of stuff.

Let me give you the option that appears to be out on the street right now for a lot of mothers, and that is throwing away their baby in a dumpster as opposed to giving an opportunity, whether it is an orphanage, that word was used, but it doesn't have to be an orphanage, but some kind of placement for the protection of that child.

Given that kind of option, don't you think it is fair in some instances if that is what is going to happen under our current system that maybe we ought to think, for the protection of that child, that there will be some removal in some instances where that is the only option that appears to be available? Wouldn't that be a fair system as well? What would be your advice? I mean if the only option is dumpsters versus orphanages, what would you choose?

Ms. HENDRICKS. I wouldn't want to put a child in a dumpster, of course, but—

Mr. NUSSLE. Well, that is what the Speaker said in his speech, and, unfortunately, some people take that and mischaracterize it and use it as the format for plans all along the way. And I would just say to the rest of my colleagues on the panel, it is that kind of conversation and discussion and mischaracterization that is going to make it very hard to move forward in a bipartisan fashion and work toward a plan that solves these problems for the people that are testifying here.

Mr. FORD. Mr. Chairman, could I be recognized just for about 30 seconds? To put it a little bit clearer, Ms. Hendricks, under Speaker Gingrich's proposals you are presently on welfare in school and if you had another baby he is proposing that they would take that baby away from you and place that baby in an institution. In other words, automatically take the baby right away from you. Do you think that would be the right approach in this—

Mr. MCCRERY. Mr. Chairman, I am not going to allow him to mischaracterize the proposal. That is not what Mr. Nussle is talking about.

Chairman SHAW. I think the gentleman from Tennessee knows very well that that is not the proposal and I would challenge the gentleman from Tennessee to point anywhere in this legislation where it states the Federal Government is going to take or can take or is empowered to take or has ever taken any baby away from its mother.

Mr. FORD. Under the current program we have not, Mr. Chairman. But the Speaker of the House, your leader, is proposing it in the welfare reform package or where the additional child would receive no funds at all and would never be eligible in her whole lifetime and would be penalized because of the mother, who had an unintended pregnancy.

Chairman SHAW. With all due respect, I am going to now excuse this panel. Thank you for your testimony.

Mr. RANGEL. Mr. Chairman.

Chairman SHAW. Let me finish. The gentleman from Tennessee is mischaracterizing the position of the Speaker. I think that is too bad, because we on the Republican side have reached out to the Democratic side and I will continue to do so to work in a bipartisan manner for the good of everybody.

Mr. Rangel pointed out that we weren't filtering witnesses to only sell one side. We are going through this hearing process to learn, all of us to learn, the Republicans and the Democrats to learn, so that we can come up with the best possible bill. That is what we want—all of us want to help people.

We will disagree somewhat on how to do that. But all of us want to arrive at the same place, and by sharing ideas, sharing point of views, having open hearings, hearing from a wide variety of witnesses—that is the best way to do it and that is the way I intend to conclude the hearing.

Mr. FORD. Mr. Chairman, if she was 16, 17, or 18, that is what Speaker Gingrich is proposing in his Contract With America, or in her case now they would cap all benefits, whereas the kid would not be eligible for any additional AFDC benefits, and that is what the Republicans are proposing.

We have also asked the Republicans to really walk this through what you are, in fact, proposing. We have not heard that before this Subcommittee.

Chairman SHAW. Oh, I have offered to do that for you.

Mr. FORD. We welcome that.

Chairman SHAW. We will have the walk through at the appropriate time. And we are going to be getting more and more input. I think I made clear to Mrs. Kennelly, who has spoken out on several occasions now with regard to having child support enforcement



in the bill, that I think it should be in the bill; we intend to put it in the bill, and go forward.

I think that there are areas of wide agreement, and we should try to focus on them. We sit here and it concerns me that we are sitting here as lawmakers arguing over the shape of the table when we have a whole segment of the population going down the tubes.

We are going to help them, and we are going to stop this partisan bickering. We are going to work this out between us and we are going to get something done; we are going to pass legislation and we are going to send something down to the White House that the President will sign.

Mr. RANGEL. Mr. Chairman, point of clarification following the theme you stress. This Member will be pushing one point if indeed I have misunderstood the legislation, and the point will be: Under the law that you are supporting, would it have been possible for Ms. Hendricks to have received AFDC payments for more than 2 years under her present situation since she has not worked during the 2-year period?

Chairman SHAW. The present legislation, as it is written, would require work after 2 years, so there would have to be work done for the benefits after 2 years.

Mr. RANGEL. And so that is why I am going to try to keep the tone as such so that we can continue to talk with each other and try to reach a solution. But I was lauding the Chair for having both of these witnesses.

I think you have answered that you intend to take care of the problem that Ms. White has raised as it relates to going after the male. OK, we can work on that.

Now, as it relates to Ms. Hendricks, if you support her achievements at this point, are you prepared to adjust the legislation to allow requiring work as a condition of benefits to continue to happen if a person has the drive that she has had?

Chairman SHAW. Well, I am sure that the Committee will continue to address this, and it will be going forward with the amendment process. As to how the legislation is going to finally end up or how the votes will come out——

Mr. RANGEL. Under the present law, this accomplishment that we all are proud of, that America is proud of could not have happened with the proposed legislation.

Mr. McCRERY. Mr. Chairman.

Chairman SHAW. Again, I would like to thank the panel for being with us and taking your time on your lunch hours, as I understand it, and we very much appreciate your presence here and your testimony.

Thank you very much.

Ms. HENDRICKS. Thank you.

Mr. McCRERY. Mr. Chairman.

Chairman SHAW. Yes.

Mr. McCRERY. May I just respond to one thing Mr. Rangel said?

Chairman SHAW. Yes.

Mr. McCRERY. As I understand this process, we are not here supporting a specific piece of legislation. Yes, there is a specific piece of legislation attached to the Contract With America, and yes, that forms the basis for our starting point.

But it is only a starting point, as far as I am concerned, and I think as far as the Members of our side are concerned, that is what this hearing process is all about, so that we can learn more than we already know and use what we learn to craft a product at the appropriate time to move forward.

But the purposes of these hearings is not to support a specific piece of legislation. I want to make that clear, at least that is my view.

Mr. RANGEL. Would the gentleman yield for purposes of allowing me to respond?

Mr. MCCRERY. Be happy to.

Mr. RANGEL. The major problem is that this procedure is totally unusual to the regular procedure of the House of Representatives. In this room over the years, we have hearings on a piece of legislation. Now, I am telling you—

Mr. MCCRERY. Mr. Rangel, that is not so. You know that. We have hearings all the time without having a base piece of legislation.

Chairman SHAW. If the gentleman would yield—

Mr. RANGEL. I would like to respond to this gentleman.

Chairman SHAW. This process started in the last Congress. We had several hearings on welfare reform, and we are continuing those hearings, and then at some point, hopefully by the end of this month, or the very early part of February, a mark will be laid down on which we will go to work on formulating the legislation.

But don't say this isn't precedented, because I believe we have sufficient precedent. Mr. Ford had several hearings on welfare reform without a hearing addressing a specific bill, as I understood the hearings.

Mr. MCCRERY. And Mr. Rangel, we had hearing after hearing after hearing on the Health Subcommittee last year on health care reform without having a base bill. In fact, if you want to say, well, we had the President's bill, the President's bill wasn't even offered for markup in the Health Subcommittee. So this is not without precedent.

Mr. RANGEL. In the literature giving notifications of these hearings, was it not agreed that this is on the Contract With America?

Mr. MCCRERY. Yes.

Mr. RANGEL. So forgive me if the questions that I raise deal with the provisions that are in the Contract With America.

Mr. MCCRERY. Oh, I think those are appropriate.

Mr. RANGEL. So it was not inappropriate for me, I hope, for me to ask Ms. White and for me to ask Ms. Hendricks.

Mr. MCCRERY. Not at all. We did the same thing.

Mr. RANGEL. Let the record state that it was not the Republicans that would have restricted Ms. Hendricks, nor my colleagues that would have not dealt with the questions you raise, Ms. White, but it was with the Contract With America that would have done this to both of you.

Thank you, Mr. Chairman.

Mr. MCCRERY. Mr. Rangel, we look forward to continuing to work with you to bring out evidence from the witnesses so that we can fashion a product that we can agree will help solve the terrible condition of the welfare system in its current state.

Mr. RANGEL. Do you know how we could really—

Chairman SHAW. I am going to have to cut off the exchange.

Mr. RANGEL. How we could really move a lot faster is when you agree, if you would, as the Chair just did, on the question raised by Ms. White, he said we are going to deal with that. That would mean that after the hearing, we can all get together with staff and find out how we are going to deal with it.

Mr. MCCRERY. Exactly.

Mr. RANGEL. If someone would say right now that we would like to deal with the question that was raised by Ms. Hendricks.

Mr. MCCRERY. Yes, Ms. Hendricks.

Mr. RANGEL. If someone would say—I am impressed by what she has been able to do. I would like to encourage other people to do this, rather than become dependent on that check. If someone would say let's see whether we can fashion something to protect this type of behavior, then I would say, that is off the table.

Mr. MCCRERY. I would be glad to talk about that.

Chairman SHAW. Well, I think you have said that, so—

Mr. COLLINS. I think there have been several who have said that, Mr. Chairman. The same gentleman over there criticized me for congratulating two ladies who got out of the trap.

Mr. RANGEL. All I am saying, sir, is that—I misunderstood your congratulations. If I thought you were saying that you congratulate her and you want to have in the legislation provisions that would support that, then I would congratulate you again for saying let's work together to preserve this. Am I making myself clear?

Mr. COLLINS. We are working toward legislation.

Mr. RANGEL. The Contract With America prevents this from happening. If you are going to work together with us, I mean with you and me, let's make certain that we preserve this.

Mr. MCCRERY. So does the President's bill, but hey, we are going to work on it.

Chairman SHAW. We are going to proceed with the second panel on the witness list.

Mr. FORD. Mr. Chairman, please.

Chairman SHAW. First on our second panel is Rebecca Blank, a noted economist from Northwestern University who has written widely on social issues, including training programs, welfare issues, and employment policy. Next is Rev. Robert Sirico who has been active in the public policy arena for many years writing often on the interplay between religion and economic and social policy. In 1994 Father Sirico was appointed to the Michigan Civil Rights Commission. And finally, Ruth Wasem of the nonpartisan Congressional Research Service is a face that is familiar to Members of this Committee. Ms. Wasem for many years has been an enormous help to us, especially on immigration and teen pregnancy issues. We are delighted she and the rest of the panel can join us today. And we will now proceed with Dr. Blank. Welcome to the Committee.

Mr. FORD. Mr. Chairman, could I be recognized.

Chairman SHAW. I am stopping this bickering that is going on.

Mr. FORD. It is really just for the record. Just for one brief statement and just to coin that section 105 in reference to the statement that I made earlier with the witnesses. This section of the Contract With America prohibits benefits to children and their parents when

a child is born out of wedlock while the parent was under 18 or under 21 at State option. The ban applies for the entire childhood of the child unless the mother marries the biological father or another man legally adopts the child. That is what I was making reference to when I questioned the witness.

Chairman SHAW. Mr. Ford, this or any other provision of the bill that you object to will be addressed during the markup process, and I am sure that whatever we use for the markup document, that you will be actively involved in that.

Mr. FORD. That was just pointed out by your colleague on your side of the aisle that I just point to the reference in the Contract With America and I just wanted to point to that section.

Chairman SHAW. OK. Dr. Blank, your full statement has been made a part of the record and if you would proceed as you see fit.

**STATEMENT OF REBECCA M. BLANK, PH.D., PROFESSOR,  
DEPARTMENT OF ECONOMICS, NORTHWESTERN UNIVERSITY,  
EVANSTON, ILLINOIS**

Ms. BLANK. Good. Thank you. I see my role here today as very similar to that of Professors Wilson and Loury in the first panel. I am not a political partisan; I am here primarily as an academic researcher concerned with the causes and the consequences of the social problems that face us.

If you don't believe that, you can look at the first section of my statement where I go through the numbers on nonmarital births and how they were changing. I will not take you through that in my oral statement but instead focus on what I think is the crux of the issue before us here. What are the causes of declining marriage and the rising numbers of single mothers? Let me indicate first what is not the primary cause of this phenomenon and then ask what the cause is.

First, the rising share of out-of-wedlock births is not primarily due to the structure of cash welfare payments. A wide variety of studies have related benefit payments within AFDC, the Aid to Families with Dependent Children Program, often called welfare, to fertility issues.

Depending on which study one looks at, the results either indicate that once you control for other variables, the effects are either small or simply nonexistent.

Robert Moffett, a professor of economics at Brown University, was recently asked to write a review of this literature, the effects of AFDC on fertility, for the *Journal of Economic Literature*, a journal published by the American Economics Association. After extensively discussing these studies, Professor Moffett concludes "The failure to find strong benefit effects is the most notable characteristic of this literature."

There is other evidence that supports this academic research. First, as many have noted, the monthly support levels available from AFDC have fallen steadily since the sixties. It is hard to understand how the recent rapid increase in unwed motherhood can be fueled by public assistance payments when their levels have been declining.

Second, and Professor Wilson noted this earlier, the rise in births among unwed mothers is not limited to those who rely on AFDC

for support but is spread throughout the income distribution and has occurred in every industrialized country around the world. Unwed motherhood is a social phenomenon related to many factors. The claim that it is primarily driven by welfare payments available to only a small fraction of the U.S. population is to miss this larger picture entirely.

Third, the cross-national evidence here is particularly revealing. The United States has one of the highest rates of single motherhood and the highest rate of teen pregnancy although it provides less in support for single mothers than most other industrialized countries.

Canada provides a really excellent example. Canada, in the mideighties, paid what they call social assistance to single mothers at a level approximately twice as high as the United States. Yet their birth rate to single mothers remains well below that of the United States.

In this case, what is the cause of rising out-of-wedlock births? There are a variety of answers to this and, as Dr. Loury noted, the answers are many and complex. There is no one single causal result here. To mention just three of the main reasons, number one, women's ability to find jobs and to support themselves in the labor market has increased, increasing their economic independence.

Number two, men's ability to support a family, particularly among less skilled men, have declined. As anyone who reads the newspaper knows, among both high school dropouts and high school graduates, wage rates adjusted for inflation have declined substantially since the seventies by 5 to 15 percent depending upon men's skill level. The net effect is that men are less attractive as marriage partners.

Number three, as others have noted before me, the social stigma associated with unwed motherhood has declined. It is important to note the growing economic independence of women and the decline in stigma associated with single parenthood has affected all women and explains a rise in single parenthood among women of all income groups consistent with the evidence.

In this world, then, what would be the effect of limiting or abolishing public assistance for single mothers? I think you need to look at this as a cost-benefit analysis. There may indeed be some results that would be pleasing in some ways. It is an open question of how big the magnitude of those results would be. But there would also be devastating costs associated with such a legislative change.

Let me talk about three results that would occur. Number one, fewer women will have children as single mothers, either because they engage in less premarital sex, because they use birth control more consistently or because they are more likely to have abortions if they become pregnant. Given the evidence available, it is very difficult to talk about what the size of any of those effects are going to be.

Given what we know about teenage pregnancy, and a number of others have testified to this before me, it is not much affected by rational economic calculations of long-term costs. The main effect I suspect is more likely to be on abortion rates than it is going to be on initial pregnancies.

Number two, among women who continue to give birth to children, they will be less likely to live independently. Many of them will live with other family members, such as parents or sisters, will live with boyfriends, or will choose to marry. Again, it is hard to predict the size of this impact.

It is, however, important to note that this route may do nothing to solve poverty among women and these children. Many poor women have families and boyfriends who are also quite poor. One could imagine that many poor women and children will end up in more crowded housing situations where more people live together and pool income but where the larger household is still poor.

It is also important to note that the incidence of domestic abuse among low-income women seems to be quite high. The State of Washington, in a random sample of their AFDC recipients, found fully 60 percent reported a history of sexual or physical abuse as adults.

Now, they actually didn't believe those numbers. They went back to doublecheck them and indeed confirmed that they seemed to be true. Moving women back into more shared housing arrangements may well increase these problems for at least a subset for both women and children.

Number three, a number of women will try to maintain their independence and try to survive economically without public assistance. Some of them will do this in mainstream employment. Some of them will do this in illegal employment. Some of these women, particularly those with no family to help, will find themselves out of work, in jobs that simply can't pay the rent, and some of these women, in the absence of public support, will turn up among the homeless.

A number of other people before me have testified to the effect of poverty on children. Its effects are devastating by virtually every study that we have. The cost of substantially cutting back our public assistance programs is negative long-term effects on the children. This is a cost I would not be willing to bear from what I know of the research literature in this area.

If cutting back public assistance is not the answer, that leads us to the obvious question: What other policy options do we have? Rather than a scorched Earth policy whereby all low-income, never-married women are cut off from social safety nets, there are other choices available to us. They are outlined in my statement and I would encourage you to ask me about them if you would like to talk about them in more detail. They are very similar to issues that have been raised by my predecessors in panel one.

We need to do things that change the entire culture of our society and its attitudes toward young women and teen pregnancy. That means communicating with both young women and young men. We also need to make the welfare system one that essentially encourages work rather than discourages it. I am a strong supporter of job training and employment programs, run more effectively than we have in the past.

It is very tempting and it is very human to desire simple answers. Public policy would be easier if welfare were the primary cause of rising single parenthood and if eliminating welfare payments to never-married mothers could eliminate single parenthood

without any other costs. Unfortunately, the world we live in is far from simple and good policy requires that we reject such simple answers.

Government programs are not the primary cause of out-of-wedlock childbearing and eliminating government programs will not solve that problem. If we want to decrease the incidence of single motherhood in this country, it will require a degree of social agreement and social will from all parts of our society. Let's recognize the complexity of this problem and resist simple, easy and wrong answers that only increase economic need.

Thank you.

[The prepared statement follows:]

**TESTIMONY OF REBECCA M. BLANK,  
PROFESSOR OF ECONOMICS, NORTHWESTERN UNIVERSITY**

Subcommittee on Human Resources  
House Ways and Means Committee  
January 20, 1995

No one disputes the facts: Pregnancy occurs too often among unmarried teenage mothers, who doom themselves to a life of economic struggle by dropping out of school to raise their children. Rising rates of child poverty in the United States are largely driven by the increase in the number of single mothers trying to raise children on their own.<sup>1</sup> While the majority of these women are divorced or separated, an increasing share have children outside of marriage. The problem in these poor families is two-fold: Lack of income and economic resources limits the opportunities they can provide their children, while the presence of only one parent means that there is often no one to share the job of parenting, disciplining, and loving the children. The result is that the single parent who is trying to do it all often must face major economic and emotional burdens.

The topic of today's hearing is the causes and effects of the rising share of births to unmarried women. I will answer this question by focusing on four major issues: (1) How is the growing share of non-marital births defined? (2) What is causing the rising share of births to unmarried women? (3) What will be the effect of limiting or abolishing public assistance for these families? and (4) What other policy options do we have?

**(1) How is the growing share of non-marital births defined?**

Let us first be clear about the phenomenon we are discussing: The share of births to unmarried mothers is rising as a share of all births. To understand why this is happening, it is important to distinguish between the *birth rate* among single and married women and the *number of births*. The *non-marital birth rate* gives the probability that a single woman will have a child. The *total number of non-marital births* is the result of the non-marital birth rate, multiplied by the number of single women in the population. Similarly, the total number of marital births is the marital birth rate, multiplied by the number of married women. The "*illegitimacy ratio*," or the *share of non-marital births*, is the total number of non-marital births divided by all births (births to single women plus births to married women). This ratio is affected by birth rates among both married and single women, as well as by the number of single women relative to the number of married women in the population.

As it turns out, the birth rate of single women -- the probability that a single woman will have a child -- has actually declined among black women and remained relatively low among white women. What has changed is that the number of single women relative to the number of married women has grown enormously, at the same time as the birth rate of married women has declined. Let me discuss each of these in turn. Appendix 1 gives more detail on the numbers I discuss here.

First, fertility among married women has declined as family size has declined. In fact, the declines in family size among black married couples are even greater than among white married couples. Declining fertility among married women is presumably not the problem we are talking about at this hearing although it has increased the share of out-of-wedlock births. If married couples are having fewer children, even if there were no increase at all in the number of non-marital births, then the out-of-wedlock birth rate would go up.

Among white women, the share of non-marital births has gone from 2 percent in 1960

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<sup>1</sup> An excellent book by Sara McLanahan and Gary Sandefur, Growing Up with a Single Parent, documents the negative effects of growing up in a single parent family on children of all ages.



to 21 percent in 1990.<sup>2</sup> If marital fertility had remained at its 1960 level, the share of non-marital births would have been only 13 percent, or 8 points lower. Among black women, the share of non-marital births has gone from 23 percent in 1960 to 65 percent in 1990. If black women's marital fertility had remained at its 1960 level, the illegitimacy ratio for blacks would have been 46 percent, or 19 points lower.

Thus, the raw data on the share of out-of-wedlock births overstates the problem. Declining marital fertility is presumably a choice made by married couples which is not particularly worrisome. What we are concerned with is a rise in the share of non-marital births due to the rising number of non-marital births, not that due to a decline in the number of marital births.

The number of out-of-wedlock births has been rising, but the birth rate for single women -- the probability that a single woman will have a child -- has not changed much at all. Among all single white women, between 1960 and 1990, the probability of giving birth has gone from 0.9 percent to 3.3 percent. Among all single black women, between 1960 and 1990 the probability of giving birth has gone from 9.8 percent to 9.0 percent. In other words, the probability a single black woman will have a child has actually dropped. Single women are not giving birth at much higher rates than they were in the past.

The main reason the number of births to single mothers is rising is that there are many more single women in the female population than before. Women are marrying later, and divorcing sooner. Thus, the rise in the number of non-marital births is not occurring primarily because single women are more likely to have babies, but because there are simply more single women out there and hence more babies born to single women.

Nowhere is this more evident than among teens. The share of births to unmarried women among teens has soared. It is true that single teens are more likely to get pregnant than ever before. But even more important is the fact that few teenage women marry. In the past, many teenage women were married and had children as married women. Almost all teenagers today who have children are not married and do not get married when they give birth.

This is important because it changes the focus of the question. The main question is not "Why are teens (and other single women) having many more children than before?" Rather, the primary question should be "Why are teens (and other women) marrying much less than before?"

(2) What are the causes of declining marriage and rising numbers of single mothers? Let me first indicate what is not the primary cause of this phenomenon, namely, cash assistance to single mothers, and then ask what the cause is.

A. The rising share of out-of-wedlock births is not primarily due to the structure of existing welfare programs. There is very little evidence for the claim that welfare payments are driving the increase in teen pregnancy. A wide variety of studies have related benefit payments within the Aid to Families with Dependent Children (AFDC) program, which is most typically referred to as welfare, to fertility issues. Depending on which study one looks at, the results either indicate that, once you control for other variables, AFDC payments are not related to women's fertility or the effect is relatively small. Robert Moffitt, a professor of economics at Brown University, was recently asked to write a review of the research in this area by the Journal of Economic Literature, published by the American Economic Association. After extensively discussing all the studies, Moffitt, concludes, "The failure to find strong benefit effects is the most notable characteristic of this literature." Appendix 2 provides a complete set of citations to this literature and summarizes their results.

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<sup>2</sup> Unless otherwise noted, the data cited here are all for women ages 15 to 44, and come from the government data in Vital Statistics of the United States and "Marital Status and Living Arrangements," Current Population Reports, Series P-20. See Appendix 1.

Since racial differences are often invoked in the public discussion, it is worth noting that the research literature indicates that the relationship between benefit levels and fertility behavior is slightly stronger among low-income white women than among African-American women. Among black women, there is almost no persuasive evidence that benefit levels and non-marital births are linked. There seems to be a weak positive link among white women.

Let me indicate other evidence that supports the conclusion that there is little relationship between welfare support levels and rising problems of out-of-wedlock births.

First, as many have noted, the monthly support levels available from AFDC and food stamps have fallen steadily since the late 1960s. In 1970, the typical woman with 3 children and no other income would have received \$900 (in \$1992) from AFDC and food stamps combined - the primary public support programs that help pay the monthly bills. By 1990, the typical woman received around \$700. It is hard to understand how the recent rapid increase in unwed motherhood can be fueled by public assistance payments when their levels have been declining.

Second, the rise in births among unwed mothers is not limited to those who rely on AFDC for support. It is a phenomenon spread throughout the income distribution. While higher income single women still have much lower rates of unwed births, their probability of giving birth has also risen substantially in the last 20 years. Non-marital births have also risen in virtually every industrialized country in the world. Unwed motherhood is a social phenomenon that is related to many changing factors, from increased economic independence by women, to decreased social stigma. To claim that it is primarily driven by welfare payments -- available to only a small fraction of the U.S. population -- is to miss the larger picture entirely.

Third, the cross-national comparisons here are very revealing. Relative to many other industrialized countries, government support for single mothers is much lower in the U.S. than elsewhere. Yet, the U.S. has one of the higher rates of single motherhood, and the highest rate of teen pregnancy. For instance, Canada is a country that is similar to the U.S. in many ways, both economic and social. In the mid 1980s, Canada's public assistance programs for poor single mothers provided about twice as much support as in the United States. Yet, Canada's illegitimacy rate continues to be below that of the United States'.

I'm an economist and I believe in economic incentives. On the margin, I think the evidence indicates that variations in birth levels have a weak relationship to variations in AFDC benefit levels, with stronger effects for white women than for black women. But given the magnitude of the effects, there is no research evidence that would support a conclusion that the presence of AFDC has been in any way the driving force behind large increases in births among unmarried women. In fact, monthly payment levels have been steadily declining.

**B. So what is the cause of rising out-of-wedlock births?** Why then, has marriage among mothers declined? This is a big topic and, not surprisingly, there is a big research literature relating to it. The short answer is: There are many overlapping factors. Let me list a few.

1. *Women's ability to find jobs and support themselves in the labor market has increased, increasing their economic independence.* This has made marriage seem less attractive (it's not an economic necessity for many women any more), and single parenthood seem economically viable.

2. *Men's ability to support a family, particularly among men with fewer formal skills, has declined.* Among both high school drop-outs and high-school graduates, wages rates (adjusted for inflation) have declined substantially since the late 1970s, by 5 to 15 percent depending on the skill level. This is due to a host of reasons, as the demand for less-skilled workers in our

current economy continues to decline.<sup>3</sup> The net effect is that men are less attractive as marriage partners.

3. *The social stigma associated with unwed motherhood has declined.* For many young women, particularly in the African-American community, the acceptability of single parenthood has spread as more women become single mothers. This has occurred at the same time as sexual activity outside of marriage has also become much more common and widely acceptable in many parts of the population.

It is important to note that the growing economic independence of women and the decline in stigma associated with single parenthood has affected all women and explains a rise in single parenthood among women of all income groups, consistent with the evidence. The decline in the labor market opportunities among less-skilled men primarily affects less-skilled women, due to marital sorting, and explains higher levels of unwed motherhood among this group than among higher income groups.

In summary then, the primary causes of a decline in the propensity of women to marry are changes in the labor market and in the social acceptability of single parenthood that has influenced women at all income levels. There is little evidence that the existence of cash-assistance to low-income women has been anything but a very minor factor behind the substantial increases in out-of-wedlock births. In fact, a long-term decline in the level of this assistance over the past 25 years – years when the rise in out-of-wedlock birth has been steepest – indicates that welfare is not a primary cause of rising single motherhood.

### (3) What will be the effect of limiting or abolishing public assistance for these families?

Current legislative proposals suggest eliminating public assistance for teenage mothers, or sharply limiting it for children born outside of marriage. What effect will this have?

Beyond a doubt this will make it much more difficult for single mothers to survive economically. All of the following effects are likely to occur:

1. *Fewer women will have children as single mothers, either because they engage in less extra-marital sex, because they use birth-control more consistently, or because they are more likely to have abortions if they become pregnant.* Given evidence currently available, it is impossible to say exactly how big this effect would be. Based on what we know about current teenage sexual behavior and the small weight which young men and women often give to future consequences, I would not expect the decline in non-marital births among low-income women to be greater than 15 to 20 percent at the maximum. This is not a small effect, but it means a substantial number of out-of-wedlock births will continue to occur. (There is no reason to expect this to have any affect at all on the out-of-wedlock births that occur to women whose income is well above the poverty line, so the overall out-of-wedlock birth rate would fall by less than this.)

2. *Among women who continue to give birth to children, they will be less likely to live independently.* More of them will live with other family members (such as parents or sisters), or will live with boyfriends, or will choose to marry. Again, it is hard to predict the size of this impact.

It is important to note that this route may not do anything to solve poverty among these women and their children. Many poor women, in particular, have families and boyfriends who

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<sup>3</sup> For a good summary of both the facts and the potential causes of the changes in wages for less-skilled men, see Frank Levy and Richard Murnane, "U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Explanations." *Journal of Economic Literature*. Vol 30:3, September 1992. A forthcoming volume by the Urban Institute will also be useful, *Welfare Reform and the Realities of the Job Market*, edited by Demetra Nightingale and Robert Haveman.

are also quite poor. One could imagine that many poor women and their children will end up in more crowded housing situations, where more people live together and pool income but where the larger household in total is still quite poor. In addition, it is important to note that the incidence of domestic abuse among low-income women seems to be quite high. The state of Washington, in a random study of all their AFDC recipients, found that fully 60 percent reported a history of sexual or physical abuse as adults, either from family members or boyfriends.<sup>4</sup> This is far above the incidence of physical and sexual abuse in the general population. Thus, moving women back into more shared housing arrangements may increase these problems for both the women and their children.

3. *A number of women will try to maintain their independence and survive economically without public assistance.* Most of these women will work more hours. Some of this will be in mainstream legitimate employment, and some of it will be in illegal employment. The evidence we have about the low-wage labor market facing many of the least-skilled women is that many of them are unable to find jobs that fully replace public assistance. This is particularly true since many women need to pay child care expenses if they have pre-schoolers at home or if they work while their children are home from school. Some of these women, particularly those with no family available to help, will find themselves out of work, or in jobs that simply can't pay the rent. These women, in absence of public support, will turn up among the homeless.

Evaluations of the impact of increased hours of work among women in states running welfare-to-work programs indicate that these programs increase women's hours of work and decrease their reliance on AFDC, but that their overall change in income is quite small. In other words, few less-skilled women can earn enough in the labor market to do more than just replace public assistance income unless they make major increases in their hours of work.

More labor market work has obvious implications for single parents who must also serve as sole parent for their children. Adult presence, discipline and oversight in the household will decline. In less safe neighborhoods, where children are at risk of street violence and gang participation, this may result in very bad outcomes for some children and their families.

What is the net effect of cutting welfare payments for unmarried women? Those who claim it will decrease the probability that single women have children, and will increase marriage rates are surely right. Those who claim that a substantial number of never-married women will still choose to have children and that these women and their children will almost surely be poorer are also right. The question is how big these effects will be.

Let us assume an enormously and unbelievably large effect from ending welfare to never-married mothers: Let us assume that only 50 percent of the non-marital births occur after these laws limiting welfare payments to unmarried mothers are passed. This still means that half of today's unmarried women and their children will be left without any backup support. Most of them will be poorer and more desperate than they were before. The cost of this for the children as well as the mother can be devastating, breaking up these families and/or permanently hurting the children's cognitive and emotional development. This is a cost that I would find unacceptable. As a society, we have always been willing to help mothers and their children when they became extremely poor.

It is worth underlining the fact that poverty, in and of itself, is very bad for children. Poor families often live in substandard housing and have difficulty purchasing basic necessities such as food and clothing. Poor children are more likely than nonpoor children to be too short and too thin for their age. They also tend to develop academic skills more slowly than nonpoor children. And, poor children who live in poor neighborhoods are less likely than more affluent children to complete high school. Increasing the depth of poverty among the children of never-married mothers will only increase the magnitude of these problems.

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<sup>4</sup> Washington State Institute for Public Policy, Women in Transition: A Family Income Study Newsletter. Olympia, WA: Evergreen State College. September 1993.

#### (4) What other policy options do we have?

Rather than adopting a scorched-earth policy, whereby all low-income never-married mothers are cut off from any form of a social safety net, there are other choices available to us. If we want to bring down the high rates of out-of-wedlock childbearing, we need to do the following:

1. *Call upon the resources of American families and social institutions such as churches, youth organizations, schools, etc. to get the message out that it's not "ok" to be pregnant and single.* In many ways, changing the social acceptability of single motherhood is something that the government can do much less well than other institutions, although the government can help fund demonstration projects run by other organizations that participate in this effort, and can provide a clearinghouse of information on effective programs. For instance, Title XX of the Public Health Service Act has funded a variety of evaluations on how to run effective programs that discourage teenage pregnancy.

2. *Assure that our public schools function effectively, communicating the importance of education to their students, and a sense of the possibilities that high school and post-high school training can provide.* Teenage girls who value a high school degree and post-high school training are much less likely to become pregnant than girls who do not. Teenage boys need to receive the same message, so that the pool of men who are left out of an increasingly internationalized and skill-demanding economy shrinks over time.

3. *For those women who do become single mothers and find themselves in economic need, make sure that public assistance provides not only cash assistance, but also a strong set of job training and job placement programs.* The best thing we can do, within the context of our current laws, is to strengthen the Family Support Act, passed in 1988, to assure that teen AFDC applicants are immediately put into high school completion programs, with the child care assistance and health care assistance necessary to provide effectively for their children.

It is very tempting, and very human, to desire simple answers. Public policy would be easier to determine if welfare were the primary cause of rising single parenthood, and if eliminating welfare payments to never-married mothers would eliminate single parenthood without any other costs. Unfortunately, the world we live in is far from simple, and good policy requires that we reject such answers. Government programs are not the primary cause of these problems and changes in government programs will not solve them. Rising rates of out-of-wedlock childbearing are the result of multiple changes in the labor market, and in the social climate of this country. They will not be quickly turned around by any policy action of the federal government. That is an unfortunate fact of life, but it is one that we must face squarely.

If we want to decrease the incidence of single motherhood in this country, it will require a degree of social agreement and social will from all parts of society -- from parents and grandparents, from civic leaders, from religious leaders, from those who teach school, and from all who serve as role models for young people. The message we need to send is clear: *"Don't have children until you have the skills and economic stability to support them adequately. And when you have children, give them (and yourself) the advantage of growing up in a family with more than one adult who will live with them and guide them and love them."*

Cutting public assistance to never-married mothers will merely increase poverty and all of its related problems among mothers and their children. Let's recognize the complexity of this problem and resist simple, easy -- and wrong -- answers that will only increase economic need among American families.

Appendix 1  
Birth Rates and Number of Births to Single and Married Women, 1960-1990

	SINGLE WOMEN			MARRIED WOMEN			Illegitimacy Ratio: Share of Births to Single Women
	Birth Rate per 1000	# Single Women in (000s)	# Births to Single Women	Birth Rate per 1000	# Married Women in (000s)	# Births to Married Women	
All Women 15-44							
1960	21.6	10,300	222,900	156.6	25,600	4,014,900	5.3%
1970	26.4	14,800	391,900	121.1	27,300	3,307,000	10.6%
1980	29.4	21,900	642,600	97.0	29,000	2,857,500	18.4%
1990	43.8	26,200	1,149,700	88.2	32,000	2,832,100	28.9%
White Women 15-44							
1960	9.2	8,800	81,300	153.6	22,900	3,513,800	2.3%
1970	13.9	12,500	173,700	119.6	24,300	2,901,400	5.6%
1980	17.6	17,700	311,100	96.4	26,100	2,512,400	11.0%
1990	32.9	20,300	668,800	90.6	27,900	2,530,600	20.9%
Black Women 15-44							
1960	98.3	1,500	146,200	180.9	2,800	499,600	22.6%
1970	95.5	2,200	205,500	130.3	2,700	355,100	36.7%
1980	82.9	3,700	307,900	94.4	2,700	256,100	54.6%
1990	90.5	5,000	448,600	82.8	2,900	239,500	65.2%

Comparisons across columns may have small inconsistencies due to rounding.

Source: Vital Statistics of the United States and "Marital Status and Living Arrangements," Current Population Reports, Series P-20.

**Appendix 2**  
**Recent Studies of the Effect of Welfare on Fertility**

<u>Study</u>	<u>Data Set</u>	<u>Analysis Variable</u>	<u>Effect of Welfare</u>
Ellwood-Bane (1985)	1976 SIE	1. Had child in last year 2. Have children	None None
An-Havemen-Wolfe (1987)	1987 PSID	AFDC receipt for out-of-wedlock births	None
Winegarden (1988)	1947-1983 DHHS and other gov't sources	Out-of-Wedlock birth rate	Positive for Nonwhites
Rank (1989)	1980-1983 administrative data	1. Birth while on welfare 2. Fertility Rate	Negative effect of length of time on welfare Women on welfare have lower fert rate than total female population
Plotnick (1990)	1979-1984 NLSY	1. Out-of-wedlock birth by age 19 2. Out-of-wedlock birth as first birth	Positive for whites None for nonwhites Positive for whites None for nonwhites
Duncan-Hoffman (1990)	1968-1985 PSID	Out-of-wedlock birth associated w/AFDC receipt	None
Lundberg-Plotnick (1990)	1979-1986 NLSY	Premarital birth	Positive for whites None for blacks
Murray (1993)	1954-1988 DHHS and other gov't sources	Illegitimacy ratio	Positive for whites Positive or negative for blacks depending on specification
Robins-Fronstin (1993)	1980-1988 CPS	Number of children	Positive for whites and Hispanics Negative for blacks No effect of add'l benefits for more kids
Acs (1994)	1979-1988 NLSY	First and second births by age 23	Positive effect on first births for whites; no effect on second births

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Chairman SHAW. Thank you, Dr. Blank.  
Reverend Sirico.

**STATEMENT OF REV. ROBERT A. SIRICO, PRESIDENT, THE  
ACTON INSTITUTE FOR THE STUDY OF RELIGION AND  
LIBERTY, GRAND RAPIDS, MICHIGAN; AND MEMBER,  
MICHIGAN CIVIL RIGHTS COMMISSION**

Father SIRICO. Thank you very much. Ladies and gentlemen of the Committee, I thank you for inviting me to testify today.

I come as a nonpartisan. I am not a Republican. The problem of illegitimacy is shredding the fabric of our society. We all agree on that. It is critical that radical measures be taken to restore the family unit as the organic extension of the natural order of private life absent excessive government involvement.

Let me say at the outset that I view a two-parent family as a moral norm. Indeed, I believe the family is the fundamental unit of society. While there are certainly heroic stories of single mothers, most of these women would admit their condition is not ideal. There is no reason to celebrate it as such as many on the left seem to do.

Other members of this panel are experts who can quote statistics on the dimensions of the illegitimacy problem. I am not. Please allow me to simply point out the links are quite clear between a missing parent in a child's life and poverty, illegal drug use, failure in school, violent crimes, gang activities and suicide.

Illegitimacy is not merely a technical problem but a moral one. To the extent that the Federal Government encourages out-of-wedlock births, it is morally culpable. While I hold the Federal Government partly responsible for the soaring illegitimacy rates since the beginning of the Great Society programs, I am not asking Federal officials to solve the problem by themselves.

In my view, the Federal Government should not now try to tinker with its welfare programs to punish women who give birth to children outside of marriage. As I said, illegitimacy is a moral problem and the Federal Government is not and indeed cannot be an effective moral teacher.

Church-state separation requires the welfare bureaucracy to remain morally neutral and it cannot effectively promote sexual responsibility from a morally neutral pulpit. Rather than Federal solutions, I believe there is a principle that should guide any and all efforts toward welfare reform. That is the principle of subsidiarity.

The concept is this: Those social functions that can be accomplished by a lower order of society should not be usurped by a higher order. When it comes to caring for women who are pregnant out of wedlock, the resources of first resort, of first resort, should be individuals, churches, neighborhoods, then towns and cities.

The Federal Government has tried to solve the American family problem and it has failed. It must now allow these mediating institutions to take over. The idea of devolving social responsibility to the States is in keeping with the principle of subsidiarity. It is a step in the right direction. By itself, however, it is not enough.

We do not want Washington bureaucracy to merely be replaced by equally intrusive government bureaucracy in State capitals. When dealing with the illegitimacy problem, the very nature of the

bureaucratic state, with its one-size-fits-all policies, precludes from helping individuals become responsible parents and citizens. Indeed, it takes a much deeper understanding of human needs to encourage this. Also, these bureaucracies marginalize religious institutions and their moral influence which are more intimately acquainted with the needs of people on the local level.

The very existence of the welfare state lessens the incentive for individuals to become personally involved in problems like illegitimacy. This lessens their contact with and sensitivity to those in need. Under the current system, bad charity has driven out good charity. If and when bad charity comes to an end, we can expect an explosion of interest in helping those in need. We must begin to have faith again in the good efforts of the American people.

Let me anticipate an objection. Some will say that what is called the private sector cannot take care of this problem, that it is necessary but not sufficient. Let me suggest that we have forgotten just how powerful the forces of genuine charity are in American society. For too long, the Federal Government has crowded out private solutions. Once severe budgetary changes begin to remind people of their responsibilities to others, we will be astonished at the outpouring of energy.

But let's remember that government has no monopoly on compassion. Indeed, government is compassion's least able practitioner. Let's allow real charities, not bureaucracy, to take on the illegitimacy problem. Along with the material assistance for mothers who are pregnant out of wedlock, charities can administer individual care that is catered to a woman's circumstance, needs, ability, and character.

The welfare state's pretense is to know these kinds of circumstances and it is just that, a pretense. Will a cutoff of parental aid lead to an increase in abortion? I think not. Abortion is not a cost-free decision. It is the most difficult and painful decision a woman can make.

Far from encouraging abortion, removing subsidies will discourage promiscuity. For a person of free will, it will clarify the issue of whether to risk pregnancy in the first place. We cannot, of course, guarantee perfect results but we can stop subsidizing the present crisis.

The alternative to the current welfare system is to organize the care of at-risk people in a manner that allows for the influence of religious values. The government need only allow this to happen, it need not promote it. By gradually eliminating Federal benefits which impose no concrete responsibilities on the recipient, poor women who are pregnant out of wedlock will have to turn to more local organizations which include churches, synagogues and mosque-run charities. Think of the change in incentives that would result.

If another baby means no hardship and a bigger check, it is easy to see why this is not a wholly undesirable situation from one point of view. Yet, if the individual circumstance is being closely monitored by a secular charity or religious ministry, the individual becomes acutely aware that sexual responsibility has a price.

The religious group very likely views sex outside of marriage as sinful and will not provide services without admonition or some

form of work in return. As an organic part of a church ministry, the individual becomes accountable to those who are providing aid.

The close contact with providers discourages irresponsible behavior. This model relies on the classical view of moral tutoring which is two dimensional: We abstain from immoral behavior because we fear its effects and we abstain because we love the good. Church-run charities hope to instill a love of good in the people they help. Yet clients may also fear a reprimand or loss of services.

Fear and love are both motivators. While the latter is a preferable motive, the former is also effective. Effective charities will thrive on their own yet steps must be taken to allow them to flourish.

We need to make charitable giving more financially rewarding. For example, we could allow individuals to deduct 110 percent of their charitable contributions, thereby increasing the incentive to give. Or tax deductions could be replaced with a tax credit which could allow people to choose to use their money to support public or private systems of welfare provision, thereby having an incentive to monitor those charities. These are decisions for you to decide.

Whatever policy routes are taken, the ultimate goal should be to return responsibility to individuals, churches, neighborhoods, towns, and cities. Every case of family tragedy is different and the individuals involved have different resources, abilities, and weaknesses. A faceless bureaucracy cannot take all of these things into account, nor can it encourage moral renewal. What people need is not layers of public agencies but other human beings who have knowledge of their real needs and a commitment to help them become responsible and independent citizens.

Thank you for your attention.

[The prepared statement follows:]

January 20, 1995

**Testimony Before the House Ways and Means Committee  
by Paulist Father Robert A. Sirico, President  
The Acton Institute for the Study of Religion and Liberty,  
Grand Rapids, Michigan;  
and Member  
The Michigan Civil Rights Commission**

Ladies and Gentleman of the Committee, thank you for inviting me to testify today. The problem of illegitimacy is shredding the fabric of our society. It is critical that radical measures be taken to restore the family unit as the organic extension of the natural order of private life--absent excessive government involvement.

Let me say at the outset, I view a two-parent family as a moral norm. Indeed, I believe the family is the fundamental unit of society. While there are certainly a thousand stories of heroic single-mothers, most of these women would admit that their condition is not ideal. There is no reason to celebrate it as such, as many on the left seem to do.

Other members of this panel are experts who can quote statistics on the dimensions of the illegitimacy problem; I am not. But, please allow me to simply point out that the links are quite clear between a missing parent in a child's life and poverty, illegal drug use, failure in school, violent crimes, gang activities, and suicide.

The experiment in family engineering has continued long enough. Single parent families can no longer be considered a social norm. They must rather be considered a regrettable outcome of unfortunate circumstances. Illegitimacy--which has increased more than 400 percent since 1960--is the most problematic contributor to the breakdown of the two-parent family. I could spend more time discussing the size and scope of the problem. Because my time is limited, I will discuss what I view as its necessary solution.

Illegitimacy is not merely a technical problem, but a moral one. To the extent that the federal government encourages out-of-wedlock births, it is morally culpable. As Charles Murray has made so clear, when the government subsidizes out-of-wedlock births, it removes the structure of incentives and disincentives that exist in the social and economic system of every society that serve to discourage promiscuity and irresponsibility.

While I hold the federal government partially responsible for the soaring illegitimacy rates since the beginning of the Great Society, I am not asking federal officials to solve the problem themselves. In my view the federal government should not now try to tinker with its welfare programs to punish women who give birth to children outside of marriage.

As I said, illegitimacy is a moral problem. And the federal government is not, and indeed, cannot be, an effective moral teacher. Church-State separation requires the welfare bureaucracy to remain morally neutral. And it cannot effectively promote sexual responsibility from a morally-neutral pulpit.

Rather than federal solutions, I believe there is a principle that should guide any and all efforts toward welfare reform: subsidiarity. The concept is this: those social functions that can be accomplished by a lower order of society should not be usurped by a higher order. When it comes to caring for women who are pregnant out-of-wedlock, the resources of first resort should be individuals, churches, neighborhoods, towns and cities. The federal government has tried to solve American family problems and it has failed. Now it must allow these mediating institutions to take over.

The idea of devolving social responsibility to the states is in keeping with the principle of subsidiarity. It is a step in the right direction. By itself, however, it is not enough. We do not want Washington bureaucracies to be replaced by equally intrusive government bureaucracies in state capitols.

When dealing with the illegitimacy problem, the very nature of the welfare state--with its bureaucratic, one-size-fits-all policies--precludes it from helping individuals become responsible parents and citizens. Indeed, it takes a much deeper understanding of human needs to encourage this.

Furthermore, the very existence of the welfare state lessens the incentive for individuals to become personally involved in problems like illegitimacy. This lessens their contact with and sensitivity to those in need. Under the current system, bad charity has driven out good charity. If and when bad charity comes to an end, we can expect an explosion of interest in helping those in need. We must begin to have faith in the good efforts of the American people.

Let me anticipate an objection. Some will say that what is called the "private sector" cannot take care of the problem -- it is necessary but not sufficient. Let me submit that we have forgotten just how powerful the forces of genuine charity are in American society. For too long, the federal government has crowded out private solutions. Once severe budgetary changes begin to remind people of their responsibilities to others, we will be astonished at the outpouring of energy. Let's try to remember that government has no monopoly on compassion. Indeed, government is compassion's least able practitioner.

Let's allow real charities, not bureaucracies, to take on the illegitimacy problem. Along with the material assistance for mothers who are pregnant out-of-wedlock, charities can administer individual care that is catered to a woman's specific circumstances, needs, abilities, and character.

Will a cutoff of parental aid lead to an increase in abortion? No. Abortion is not a cost free decision. It is the most difficult and painful decision a woman can make. Far from encouraging abortion, removing subsidies will discourage promiscuity. For a person of free will, it will clarify the issue of whether to risk pregnancy in the first place. We cannot, of course, guarantee perfect results, but we can stop subsidizing the current crisis.

The alternative to the current welfare system is to organize the care of at-risk young people in a manner that allows for the influence of religious values. The government need only allow this to happen; it need not promote it. By gradually eliminating federal benefits, which impose no concrete responsibilities on the part of the recipient, poor women who are pregnant out-of-wedlock will have to turn to more local organizations, which include church, synagogue or mosque-run charities.

Think of the change in incentives that would result. If another baby means no hardship and a bigger check, it is easy to see why this is not wholly undesirable from one point of view. Yet, if the individual's circumstance is being closely monitored by a secular charity or church ministry, the individual becomes acutely aware that sexual irresponsibility has a price.

The church very likely views sex outside of marriage as a sin, and will not provide services without admonition or some form of work in return. As an organic part of a church ministry the individual becomes accountable to those who are providing the aid. The close contact with the providers discourages irresponsible behavior.

This model relies on the classical view of moral tutoring which is two dimensional: we abstain from immoral behavior because we fear its effects and we abstain because we love the good. Church-run charities hope to instill a love of good in the people they help. Yet clients may also fear a reprimand or a loss of services. Fear and love are both motivators. While the latter is a preferable motive, the former is also effective.

Effective charities will thrive on their own. Yet, steps must be taken to allow them to flourish. We need to make charitable giving more financially rewarding. For example, we could allow individuals to deduct 110 percent of their charitable contributions, thereby increasing the incentive to give. Or tax deductions could be replaced with a tax credit, which would allow people to choose to use their money to support either public or private systems of welfare provision. These are decisions for you to decide.

Whatever policy routes are taken, the ultimate goal should be to return responsibility to individuals, churches, neighborhoods, towns and cities. Every case of family tragedy is different, and the individuals involved have different resources, abilities, and weaknesses. A faceless bureaucracy cannot take all of these into account. Nor can it encourage moral renewal.

What people need is not layers of public agencies, but other human beings who have knowledge of their real needs and a commitment to help them become responsible and independent citizens.

Thank you for your attention.

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Paulist Father Robert A. Sirico is President of the Acton Institute for the Study of Religion and Liberty (161 Ottawa Ave., Ste. 301, NW, Grand Rapids, MI. 616/454-3080) The Acton Institute is a non-profit, non-political, inter-faith organization founded to promote an understanding of the moral foundations of the free market among religious leaders. Father Sirico's appearance before Congress does not necessarily reflect the view of the Civil Rights Commission of Michigan.

Chairman SHAW. Thank you, sir.  
Dr. Wasem.

**STATEMENT OF RUTH ELLEN WASEM, PH.D., SPECIALIST  
IN SOCIAL LEGISLATION, CONGRESSIONAL RESEARCH  
SERVICE, LIBRARY OF CONGRESS**

Ms. WASEM. Good afternoon, Mr. Chairman, and Members of the Subcommittee. On behalf of the Congressional Research Service, I am pleased to testify before you on research that my colleague, Thomas Gabe, and I conducted on the demographic trends relating to out-of-wedlock childbearing and the AFDC caseload growth.

In the interest of time, I will offer only highlights of the chart book prepared for Chairman E. Clay Shaw on January 13, 1995, which accompanies my statement.

American families have changed dramatically over the past decades. Broad societal trends relating to marriage, divorce, and premarital childbearing have resulted in increased numbers of children living in single-parent families, headed primarily by mothers. These trends in turn have led to an increased risk that children born today will be poor, adding to the pressure on the Nation's welfare programs.

If you will, please turn to page 5 in the attached chart book to the figure titled Birth Rates for All Women and Unmarried Women, 1940 to 1992. It is evident in this figure that, despite an overall decline in the birth rate over the past 30 years, the birth rate of unmarried women has increased steadily. This upturn in nonmarital births, apparent in the birth rate trends, becomes even more striking when calculated as a percent of all births, as is done in the chart that is blown up over here.

The diminishing fertility of married women coincident with the growing fertility of unmarried women have increased the likelihood that children born today will be born outside of marriage.

Please turn now to page 10 in the chart book to the figure titled Births to Unmarried Women in 1992: Live Births by Age of Mother and Previous Births. As you can see from the light gray segments of the bar, many of the unmarried women who gave birth in 1992, regardless of age, had given birth previously. In fact, over half of the 1.2 million unmarried women who had babies in 1992 had given birth previously.

Although births to adolescents are only 30 percent of the total number of births to unmarried women, they make up more than half of all the first births to unmarried women. Moreover, it appears that the portion of unmarried women who gave birth in 1992, a significant portion of them, had their first child during adolescence.

Finally, please turn to page 12 to the figure titled Percent of Mother-Only Families Receiving AFDC by Family Type—1993. As indicated by the second bar, nearly half of the mothers who never married reported receiving AFDC in 1993, in contrast, only one-fifth of divorced women heading households with children reported receiving AFDC.

When we think of this in terms of the children, those living in mother-only families were nearly five times more likely to be poor than children living in married couple families. Children whose



mothers had never been married were the most likely to be poor, 64 percent in 1993. In September 1994, there were nearly 4.7 million families receiving assistance under AFDC.

The AFDC caseload grew by over 1 million families from July 1989 to January 1993, about a 29-percent increase. A CRS study by my colleague, Tom Gabe, attributes perhaps as much as half of the recent caseload growth to the increased number of mother-only families.

Mr. Chairman, these conclude my formal remarks and I would be happy to take questions.

[The prepared statement and attachments follow:]



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Statement prepared for the  
Subcommittee on Human Resources  
House Committee on Ways and Means  
January 20, 1995

by  
Ruth Ellen Wasem, Ph.D.  
Specialist in Social Legislation  
Education and Public Welfare Division

**Demographic Trends Relating to Out-of-Wedlock Childbearing and  
Aid to Families with Dependent Children (AFDC) Caseload Growth**

Good morning Mr. Chairman and members of the subcommittee. On behalf of the Congressional Research Service, I am pleased to testify before you on research that my colleague Thomas Gabe and I conducted on demographic trends relating to out-of-wedlock childbearing and AFDC caseload growth. In the interest of time, I will offer only highlights of the "chart book" prepared for Chairman Clay Shaw on January 13, 1995, which accompanies this statement.

American families have changed dramatically over the past several decades. Broad societal trends relating to marriage, divorce, and premarital childbearing have resulted in increased numbers of children living in single-parent families, headed primarily by mothers. These trends, in turn, have led to an increased risk that children born today will be poor, adding to the pressure on the Nation's welfare programs.

If you will, please turn to page 5 in the attached "chart book," to the figure titled *Birth Rates for All Women and Unmarried Women 1940 to 1992*. It is evident in this figure that -- despite an overall decline in the birth rate over the past 30 years -- the birth rate of unmarried women has increased steadily. This upturn in nonmarital births -- apparent in the birth rate trends -- becomes even more striking when calculated as a *percent* of all births. The diminishing fertility of married women coincident with the growing fertility of unmarried women have increased the likelihood that children born today will be born outside of marriage.

Please turn now to page 10, to the figure titled *Births to Unmarried Women in 1992 Live Births by Age of Mother and Previous Births*. As you can see from the light grey segments of the bars, many of the unmarried women who gave birth in 1992 -- regardless of age -- had given birth previously. In fact, over half of the 1.2 million unmarried women who had babies in 1992 had given birth previously. Although births to adolescents are only 30% of the total number of births to unmarried women, they make up more than half of all first births to unmarried women. It appears, moreover, that a significant

portion of the unmarried women who gave birth in 1992 had their first child during adolescence.

Finally, please turn to page 12, to the figure titled *Percent of Mother-Only Families Receiving AFDC by Family Type--1993*. As indicated by the second bar, nearly half (47.4%) of mothers who never married reported receiving AFDC in 1993. In contrast, only one-fifth of divorced women heading households with children reported receiving AFDC. In terms of children, those living in mothers-only families were nearly 5-times more likely to be poor than children living in married-couple families. Children whose mothers have never been married were the most likely to be poor -- 64% in 1993.

In September 1994, there were nearly 4.7 million families receiving assistance under the AFDC program (i.e., basic AFDC program for single parents, excluding families in the AFDC-UP (Unemployed Parents) program.) The AFDC caseload grew by over 1 million families between July 1989 and January 1993 -- about a 29% increase. A CRS study by my colleague Tom Gabe attributes perhaps as much as one-half the recent caseload growth to the increased number of mother-only families.

Mr. Chairman, this concludes my formal remarks. I would be happy to take questions.



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January 13, 1995

TO : Honorable E. Clay Shaw, Jr., Chairman  
House Ways and Means Committee  
Human Resources Subcommittee

FROM : Tom Gabe  
and  
Ruth Ellen Wasem  
Specialists in Social Legislation  
Education and Public Welfare Division

SUBJECT : Briefing Chart Book -- Demographic Trends Relating to Out-of-Wedlock Childbearing and Aid to Families with Dependent Children (AFDC) Caseload Growth

This memorandum responds to your request for a briefing "chart book" depicting demographic trends relating to out-of-wedlock childbearing. A brief narrative accompanies each chart.

These charts are based upon data from three sources. The Department of Health and Human Services' (DHHS), National Center for Health Statistics (NCHS) has provided data, published and unpublished, on births in each State and the District of Columbia. The NCHS data, unless otherwise noted, represent demographic information for the entire population. The Census Bureau's March Income Supplement of the Current Population Survey (CPS) is the second major source of data. As its name implies, the CPS is based on a sample. The third source is the Aid to Families with Dependent Children (AFDC) caseload data from the Administration on Children and Families in DHHS.

Several of the figures in this "chart book" have been taken from current Congressional Research Service (CRS) products or from CRS products that are in preparation. As out-of-wedlock births, adolescent pregnancy, and AFDC caseload growth all are of considerable interest, we are receiving other requests from Congressional offices for this type of material. Although this "chart book" is unique to your request on the subject, similar material will be prepared in response to other Congressional requests on this and related topics.

We hope you find this information useful. As you know, Tom Gabe will be unavailable from January 13 through January 30. Please call Ruth Wasem at 7-7550 if you have any questions.

## SUMMARY

American families have changed dramatically over the past several decades. Broad societal trends relating to marriage, divorce, and premarital childbearing have resulted in increased numbers of children living in single-parent families, headed mostly by mothers. These trends have placed children at increased risk of being poor and have placed increased demands on the Nation's welfare programs. Today, over 1-in-5 children live in single, female-headed families (i.e., "mother-only families"); over half of these children are poor; about one-third (32.5%) of these families reported receiving assistance under the Aid to Families with Dependent Children (AFDC) -- the major program targeted under current welfare reform efforts. Among children whose mother has never married, 64.3% were poor in 1993. Nearly half of never-married mothers reported receiving AFDC (47.4%) in 1993.

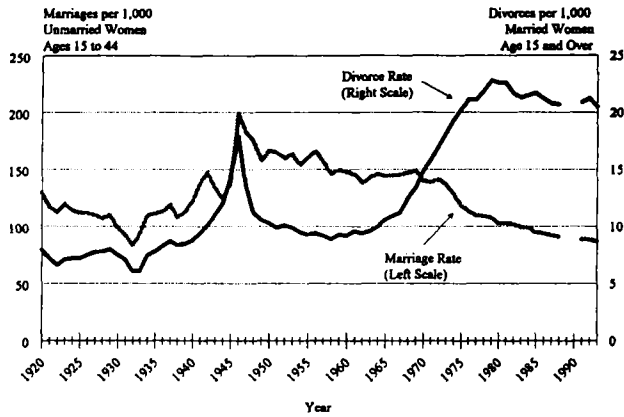
*Declining marriage rates and increased childbearing among unmarried women have contributed to the rising share of children being born to unwed mothers.* Out-of-wedlock birth rates, steadily moving upward since at least the 1940s, took a marked upward turn in the mid-1980s, especially among adolescents. The upturn in nonmarital births -- evident in the birth rate trends -- becomes even more striking when calculated as a percent of all births. The diminishing fertility of married women coincident with the growing fertility of unmarried women have increased the likelihood that children born today will be born outside of marriage. Although births to adolescents are only 30% of the 1.2 million births to unmarried women, they make up more than half of all first births to unmarried women. It appears, moreover, that a significant portion of the unmarried women who gave birth in 1992 had their first child as an adolescent.

In September 1994, there were nearly 4.7 million families receiving assistance under the AFDC program (i.e., basic AFDC program for single parents, excluding families in the AFDC-UP (Unemployed Parents) program.) The AFDC caseload grew by over 1 million families between July 1989 and January 1993 (about a 29% increase). The caseload has remained relatively level since then. The recent AFDC caseload growth corresponds to the recent increases in the number of mother-only families, and especially the recent increase in families headed by never married mothers -- a group whose children are most likely to be poor, and most likely to receive AFDC. A CRS study attributes perhaps as much as half the recent caseload growth to the increased number of mother-only families.<sup>1</sup>

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<sup>1</sup>U.S. Library of Congress. Congressional Research Service. *Demographic Trends Affecting Aid to Families with Dependent Children (AFDC) Caseload Growth*. CRS Report for Congress No. 93-7, by Thomas Gabe. Washington, Dec. 1992.

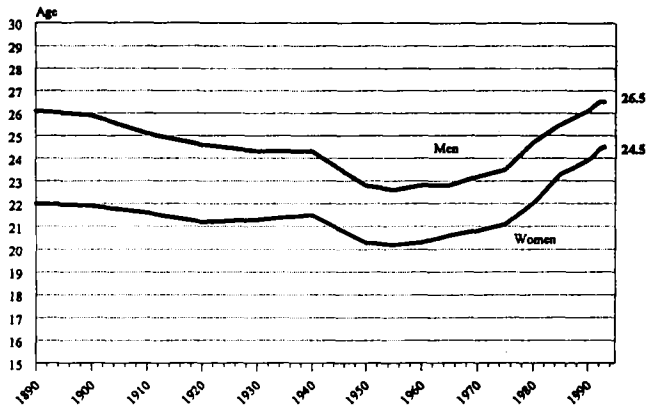
### Marriage and Divorce Rates Among Women 1920 to 1993



SOURCE: Figure prepared by CRS based on NCHS data. Data for 1989 and 1990 are not available.

- During the 1970s, divorce was the principal factor contributing to a growing share of children living in single-parent families.
- The *divorce rate* which peaked in 1980-81 remains at historically high levels.
- The *marriage rate* has been dropping since its immediate post-World War II peak.
- The *marriage rate* fell markedly in the early 1970s and has continued to decline. The decline is perhaps in part a reaction to the divorce boom, as well as a response to some of the same factors contributing to the divorce boom that was underway.

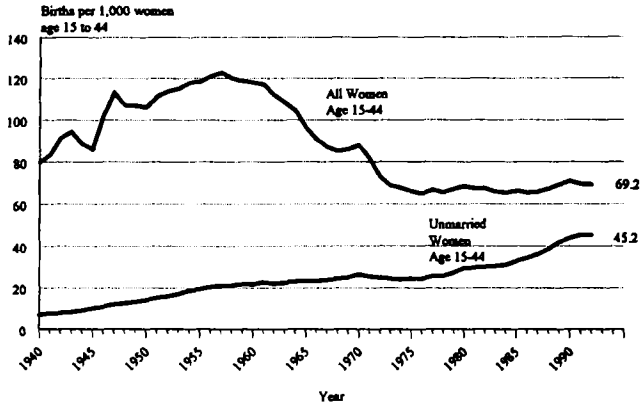
### Median Age at First Marriage by Gender: 1890 to 1993



SOURCE: Figure prepared by CRS. Based on U.S. Census Bureau Data. Current Population Reports Series P-20, Nos. 461, 468 and 478.

- During the 1950s, half of all women who were marrying for the first time were age 20 or younger.
- The median age of first marriage has been increasing since the mid- 1950s for both men and women.
- In 1993, half of all women who were marrying for the first time were over 24 years old.
- The median age at first marriage is higher now than at any time over the past 100 years.
- The higher proportion of unmarried women of childbearing age has placed more women who are sexually active at increased risk of having a nonmarital birth.

### Birth Rates for All Women and Unmarried Women 1940 to 1992

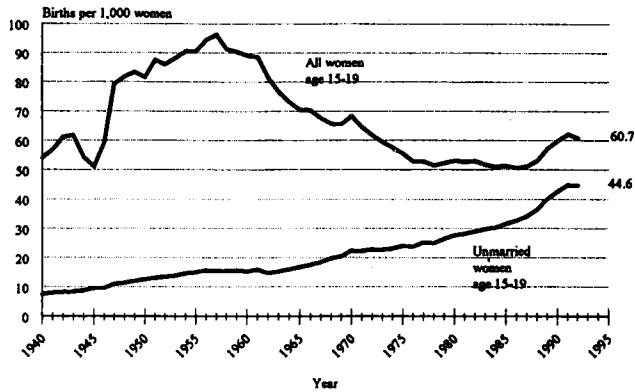


SOURCE: Figure prepared by CRS based on NCHS data.

- Overall, birth rates are lower today than during the 1950s.
- Birth rates among unmarried women increased more rapidly between the 1940s and the mid-1950s, than from the mid-1950s through the late-1970s.
- Birth rates among unmarried women have markedly increased since the mid-1970s and have accelerated during the late 1980s.
- The birth rate to unmarried women (and all women) dropped slightly from 1991 to 1992.



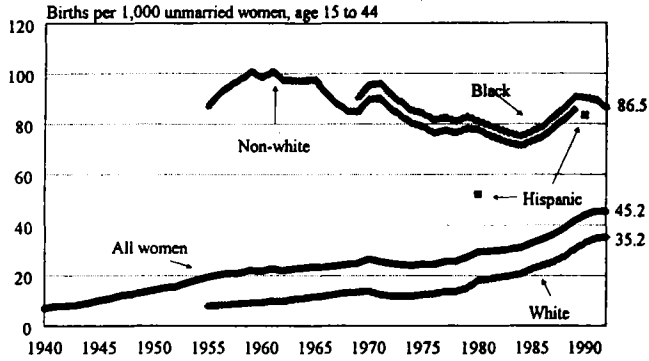
### Adolescent Birth Rates, 1940 to 1992 All Young Women and Unmarried Young Women



SOURCE: Figure prepared by CRS based on NCHS data.

- Birth rates among adolescents generally parallel those of all women of childbearing age (shown on page 5), but are somewhat lower.
- Overall, birth rates among teenagers are lower now than during the 1950s, but the birth rate among unmarried teenagers is higher.
- Birth rates among unmarried teenagers have increased sharply since the mid-1970s.
- Part of the reason why birth rates among unmarried teens are at record high levels, while overall birthrates to teens are comparatively low, is that teenagers are less likely to be married today (see page 4, Median Age of First Marriage). Today, adolescents are also less likely to marry if they become pregnant.

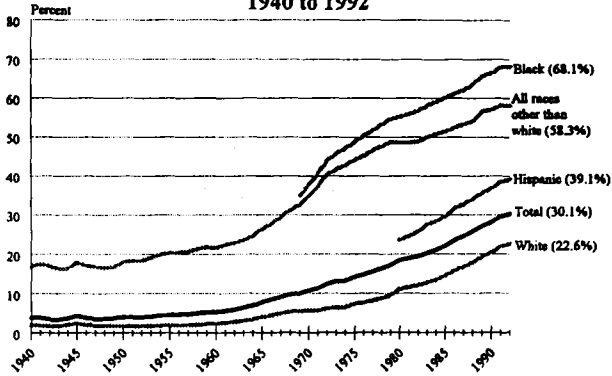
### Rate of Births to Unmarried Women Trends by Race and Ethnicity, 1940-1992



SOURCE: Figure prepared by CRS based on NCHS data. Complete data series by race and ethnicity are not available.

- Unmarried non-white (primarily black) women had higher birth rates in the late 1950s than they did in 1992, though their rate has risen recently after a low point in the mid-1980s.
- The birth rate of unmarried white women, on the other hand, has risen persistently, particularly in the late 1980s.
- The birth rate of unmarried Hispanic women rose from 52.0 births per 1,000 in 1980 to 83.4 births per 1,000 in 1990, and now approximates the black out-of-wedlock birth rate. (Complete data for unmarried Hispanic women are only available for the decennial census years.)

**Unwed Births by Race/Ethnicity  
As a Percent of All Births in Each Group  
1940 to 1992**

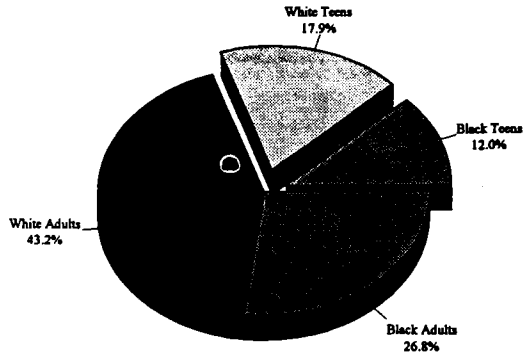


NOTE: Beginning in 1989, data are by race of mother. Before 1989 data are based on race of child. Hispanics may be of any race.

SOURCE: Figure prepared by CRS based on NCHS data.

- In 1992, almost 3 out of every 10 babies (30.1%) were born to unwed mothers.
- In 1992, over two-thirds of black babies, two-fifths of Hispanic babies, and over one-fifth of white babies were born to unwed mothers.
- Overall, the out-of-wedlock birth percentage is twice what it was in 1977 and three times what it in 1969.
- A decline in the number of births to married women contributes to the rising percentage of births that are nonmarital.

**Births to Unmarried Women  
by Age and Race, 1992**

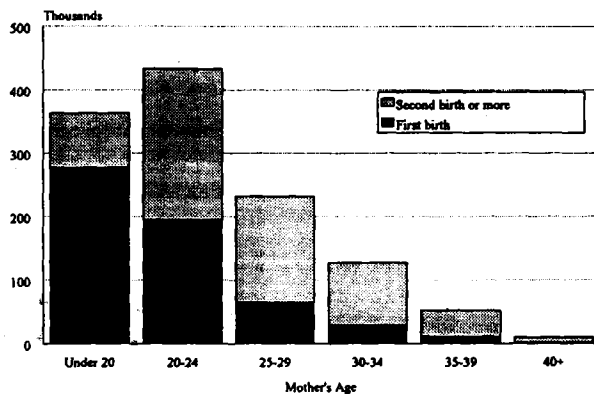


1,224,876 Births

SOURCE: Prepared by CRS based on NCHS data.

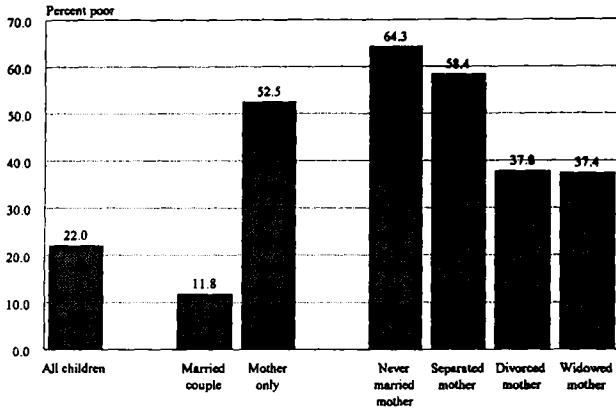
- Most births to unmarried women are to adult women.
- In 1992, 30% of babies born to unmarried women were born to adolescents.
- In 1992, 60% of babies born to unmarried women were white.
- In 1955 (the first year NCHS data by race are available), 35% of babies born to unmarried women were white (not shown).

### Births to Unmarried Women in 1992 Live Births by Age of Mother and Previous Births



SOURCE: Figure prepared by CRS based on NCHS data.

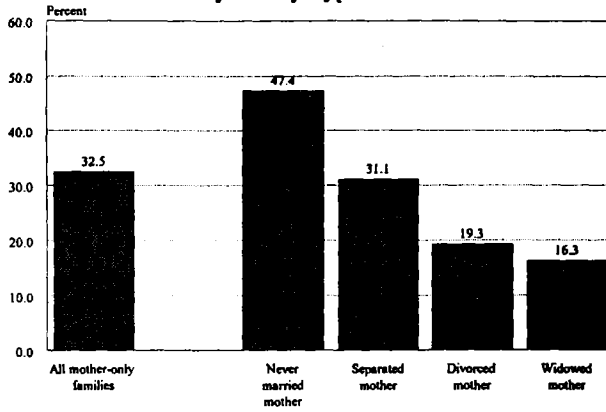
- In 1992, 30% of all out-of-wedlock births were to teenage mothers, and 65% were to mothers under the age of 25.
- Although more out-of-wedlock births were to women age 20 to 24 than to teenagers, over half of out-of-wedlock births to women age 20 to 24 were not these women's first child. Many of these unmarried women were likely also to have given birth when they were teenagers.
- Adolescents account for *more out-of-wedlock first births* than do other age groups.

**Child Poverty Rates by Family Type—1993**

SOURCE: CRS tabulations of the March 1994 CPS.

- In 1993, over one-in-five children (22%) were poor.
- Children living in mother-only families were nearly 5-times more likely to be poor than children living in married couple families.
- Among children living in mother-only families, those whose mothers have never been married are most likely to be poor -- 64.3% in 1993.

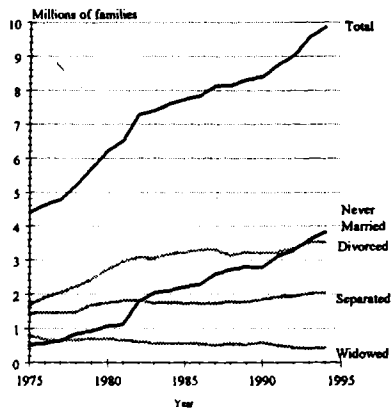
**Percent of Mother-Only Families Receiving AFDC  
by Family Type--1993**



SOURCE: CRS tabulations of the March 1994 CPS.

- In 1993, nearly one-third of all mother-only families reported receiving AFDC.
- Among mother-only families, never-married mothers were most likely to receive AFDC -- nearly half (47.4%) in 1993.

### Number of Mother-Only Families 1975 to 1994

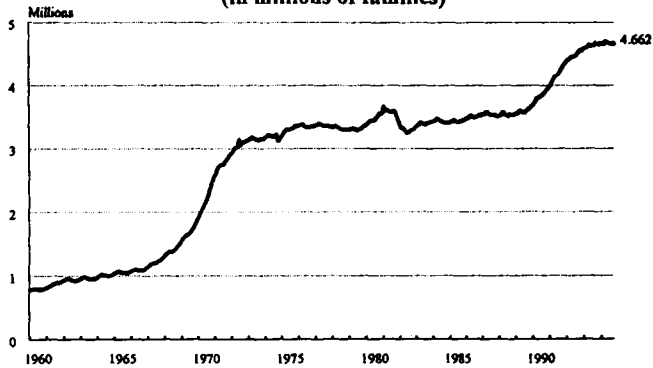


SOURCE: Figure prepared by CRS based on tabulations of annual March CPS data.

- In 1994, there were an estimated 9.8 million mother-only families, more than double the number (4.2 million) in 1975.
- In 1994, 3.8 million families were headed by mothers who have never been married; their number now exceeds the number of families headed by divorced mothers.
- Over the period, from 1975 to 1994, the number of married-couple families with children has virtually remained constant, at about 25 million (not shown).
- **CAUTIONARY NOTE:** Much of the increase in the number of mother-only families between 1981 and 1983, (especially those headed by never-married mothers) was because of improved Census Bureau survey procedures, which better identify female-headed families residing within larger family units.



**AFDC Monthly Caseload**  
**January 1960 - September 1994**  
**(in millions of families)**



NOTE: Estimates before Oct. 1974 are all families. Estimates beginning in Oct. 1974 are families on the AFDC basic program (excluding AFDC-UP).

SOURCE: Figure prepared by CRS based on DHHS Administration on Children and Families data.

- In September 1994, there were nearly 4.7 million families receiving assistance under the AFDC program (i.e., basic AFDC program for single parents).
- The AFDC caseload grew by over 1 million families between the July 1989 and January 1993 (a 29% increase). The caseload has stayed relatively level since then. Part of the increase may be attributed to the last economic recession.
- The recent AFDC caseload growth corresponds to the recent increases in the number of mother-only families, and especially the increase in families headed by never married mothers -- a group whose children are most likely to be poor, and most likely to receive AFDC. A CRS study attributes perhaps as much as half the recent growth to the increased number of mother-only families.
- The upsurge of the caseload in the earlier 1980s is associated with back-to-back recessions. The caseload would have likely risen even further in the early 1980s except for AFDC cutbacks that took effect in October 1981, as part of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).
- The caseload also increased dramatically during the late 1960s and early 1970s. More generous income eligibility requirements and changes in program rules and administration contributed to the increase.

Chairman SHAW. I thank all of you.

Mr. McCrery.

Mr. MCCRERY. Thank you all for your testimony.

Dr. Blank, you and Reverend Sirico don't seem to agree exactly on what direction we should head with government programs. I wonder if you, Dr. Blank, would have any—I know you are an economist, but do you have any thoughts about Reverend Sirico's conclusions with respect to government policy and its effect on the problem of illegitimacy?

Ms. BLANK. As I think I tried to indicate in my testimony, I simply don't think that there is any evidence that says that government policy, particularly the antipoverty programs that we have been running, are the primary cause of what has been happening with regard to illegitimacy. Those causes are so much broader and so much deeply spread through other changes in society.

I strongly agree with Reverend Sirico in terms of the importance of nongovernmental institutions being heavily involved in this problem. I think I do disagree with him in any conclusion that says the government should be completely uninvolved.

Mr. MCCRERY. Admitting for purposes of this discussion that there is no evidence, hard evidence—and I know you economists like to deal in hard evidence unless you want to assume something to prove your point—but just based on his reasoning, do you have a problem with his basic reasoning that—and Reverend Sirico, please correct me if I mischaracterize what you said—because the government has instituted so many programs to take care of single women who have children, whether it is food stamps, housing subsidies, AFDC cash payments or all those things, that that has contributed to a couple things.

Number one, less of a stigma attached to having an illegitimate child and, number two, less of a concern on the part of private institutions, individuals and institutions, to feel like they have a responsibility to help those folks in our society.

Ms. BLANK. Let me answer the second question first, which is to what extent have these caused crowding out of private moneys. There actually is quite a bit of research evidence on that. We don't have the best data that you could have. There is some indication and some studies that there is crowding out but it is far from dollar-for-dollar. It is more like 5 cents per dollar.

And anyone who looks at the magnitude of the sort of government support programs that we have today and thinks that if you get rid of them that we would have that amount of money outpouring in terms of private charitable support, doesn't know anything about this crowding out issue and how it seems to work.

Mr. MCCRERY. What about the first part?

Ms. BLANK. The first part with regard to stigma, I think my main answer there is that the AFDC Program in particular and other government programs have not been the primary cause of rising single-female-headed households, I don't think they have been the cause of declining stigma. That is occurring far too broadly.

That is similar to the fertility effect that is occurring in many other countries. It is occurring in many segments of the population who never consider AFDC as a possible source of support. There

are many, many reasons for that, which I think are—they are in only minor ways related to government antipoverty programs.

Mr. MCCRERY. Just as a general commonsense proposition, you don't think that the creation of all of these programs and the spending of trillions of dollars on these support programs has anything to do with the reduction in the stigma?

Ms. BLANK. As my testimony says, I think on the margin, there are clearly effects for populations. I am an economist, right? What I think is not true is that these programs are the primary reason for the stigma and I do think the benefits of these programs actually have been far more substantial than many people are currently giving them credit for.

Mr. MCCRERY. I know, again, you economists like to handle numbers and look at, in this particular case, dollars. But I don't think necessarily dollars is what Reverend Sirico is talking about. And, again, please don't let me put words in your mouth. My impression is, you are talking about much more than dollars. I thought you were talking about involvement by people, individuals, in helping other people in our society on a person-to-person basis.

Father SIRICO. If dollars could solve the problem, the problem wouldn't be with us. It is a fallacy to think we have to transfer the exact amount of money that is spent on programs to the private sector because the private sector can do a lot of things that are indirect, that are not quantifiable.

Second, a lot of the money that is spent through government programs is really absorbed in the bureaucracy itself and doesn't really get to the people in need. If you spend \$1 million on bread, it is not \$1 million of bread that gets to people. You have all these transfer costs. So I think that, in the first place, is a mistaken notion. Besides which, the potency, the kinds of programs that are offered, Sister Connie Driscoll's program that was alluded to by Dr. Wilson on the earlier panel, the Martin de Pores' house in Chicago operates for women with children at a fraction of the cost to comparable State-based and city-based programs.

Mr. MCCRERY. Thank you, Mr. Chairman. I thought, Reverend Sirico, your testimony was excellent.

Dr. Blank, I think you are an excellent economist and appreciate your thoughts on the subject.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman, and the panelists.

Dr. Blank, you mentioned at the end of your testimony what other policy options we might have. Can you talk about maybe the increased economic opportunities for youth that you have talked about briefly with other countries and the low rate of teenage pregnancy and the problems that might result with more generous aid contributions to the poor?

Ms. BLANK. The role of the economy in terms of putting us into the problems we face is quite substantial, particularly given this issue that we just talked about on both of the first two panels, what is going on with regard to the men and their behavior toward their girlfriends and their wives and their children.

Male wages in this country have just plummeted for less-skilled men. If you do not have a high school degree, your wages, adjusting for inflation, have fallen 15 percent on average in the last 15 years.

That has occurred even with strong expansion in the employment available in this country. That strong economic expansion has fed through to increases in hours of work and increases in labor force participation among the poor. But, for every hour they work, they earn less per hour. And that limits people's sense of opportunities, limiting their sense of the advantage from marriage, and limiting people's sense as to how hard they should work. How are they going to get anywhere with these wage decreases?

Mr. FORD. You think the woman is a primary motivation for marriage?

Ms. BLANK. I am sorry, do you think that—

Mr. FORD. Employment is the primary motivation for marriage, subsequently a family formation, I guess?

Ms. BLANK. I think employment has been a very important reason for marriage in the past. Many women have gotten married out of economic necessity. It is how women supported themselves and their children. As women have had more employment opportunities and as men have had fewer employment opportunities, I think that is one of the causes of the decline in marriages. Other changes in society obviously are also occurring, as Reverend Sirico has pointed out, and I wouldn't disagree with those, either.

Mr. FORD. The Republican plan is to cut off teen mothers forever.

Ms. BLANK. Yeah.

Mr. FORD. They do not have a plan that they have really addressed in how we will prevent teen pregnancy. But let me ask you this, Dr. Blank. Do you think cutting off welfare will impact the sexual behavior of these teens that we are talking about at any given point?

I will yield to the reverend on that question as well since he touched upon that in his opening statement.

Ms. BLANK. From what we know about teenage sexual behavior, it is not based upon very much attention to long-term economic calculations. It is based upon many other things, including particularly the messages that teenagers get about what is right and wrong with regard to certain behaviors.

Changing the economic incentives, alone, I suspect will have quite a bit less effect on teenage sexual behavior than it will on where they live and how they live after the child is born, and indeed on even if they carry that child to term.

Mr. FORD. In other words, if cutting off those benefits from that teen mother, not only the sexual behavior, but you think that will stop her from having the next child?

Ms. BLANK. I don't know the answer to that. Obviously we are running that experiment in a number of States.

Mr. FORD. You are researching the evidence that you have seen and read. Reverend, you might know this.

Ms. BLANK. The evidence we have is the benefit levels, per se, do not have a big effect on fertility, that it is other things driving the fertility changes and the fertility decisions including the sexual behavior.

Father SIRICO. I don't think it is just an economic question. If we remove certain economic subsidies and incentives and then there are other programs in place to pick up those people who are in need and if those programs are moral tutoring programs, that hold

up certain standards with love but firmness, then I think that we have an opportunity to correct this kind of instant gratification philosophy that the welfare system, as it is currently constructed, permits and, in one way or another, it supports.

Ms. BLANK. I think the key phrase there is other programs in place.

Father SIRICO. Yes.

Ms. BLANK. That is my primary concern.

Mr. FORD. Other programs, I have about 30 seconds left. What are these other policy options that you make reference to in your written statement, Dr. Blank?

Ms. BLANK. I mentioned a number of things Reverend Sirico mentioned. I think we need a social change with parents, grandparents, and everyone who serves as role models. Until we agree we will send different messages, nothing is going to change.

Mr. FORD. Do you agree most of these teen pregnancies, that these kids are already in poverty and then there is a teen pregnancy and they remain in poverty on welfare?

Ms. BLANK. I am sorry.

Mr. FORD. If poverty brings about many of these teen pregnancies.

Ms. BLANK. Poverty is one of the primary causes of these problems simply because people have no sense of opportunities. And this goes back to this question of economy.

Mr. FORD. It is not a teen pregnancy problem and then poverty?

Ms. BLANK. Improving the opportunities available to people and a sense of their potential future will do more to decrease pregnancies among young women, lower—the lowest levels of teen pregnancy occur—

Mr. FORD. So preventive measures should be a key factor.

Ms. BLANK. Lowest pregnancies occur among women who have a strong sense of where they are going and opportunities in life. And those are women who are looking forward to an education, who are looking forward to marriage and to other things as opposed to thinking that I need some gratification now through a child.

Mr. FORD. Thank you.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Just briefly, Ms. Blank, we were provided a chart earlier in the week by another panelist that indicates that the poverty rate had been on a steady decline for a number of years, beginning back in the forties. And in the late sixties, you see spending levels begin to increase dramatically and the poverty rate just stopped, the decline just stopped.

Are you aware of what programs we actually permitted at that time that required the additional spending that stopped the reduction in poverty rate and made it go the other way?

Ms. BLANK. I am actually delighted you asked that question because I think that is a misconception that many people have. The expansion in the economy in the sixties, both expanding employment and expanding wages together, were very important, the primary reason for bringing down poverty rates.

In the early seventies, the main thing that happened was not the increase in antipoverty programs. The main thing that happened,

we went into a series of very close together recessions, one right after the other, starting with the oil price shock of the early seventies.

All of the research evidence that I know on this topic essentially says that what happened is the expansion in poverty programs offset the decline in economic opportunities that hit people at the bottom. Poverty should have gone up if you looked just at the economic factors. It didn't go up. It remained flat because the expansion in government programs pulled down the poverty rate from what it would have otherwise been.

Mr. COLLINS. But the poverty rate today, even after billions of dollars of increase in spending, is up three to four points from where it was in the late sixties?

Ms. BLANK. And again, I am delighted you asked that question. I have actually done quite a bit of research on why the expansion of the eighties didn't bring poverty down as rapidly as the expansion in the sixties. The answer is very clear. The employment expansion increased work, jobs, labor force participation, but the wage declines offset that.

Unlike the sixties where you have wages rising and jobs rising and poverty plummets, you instead in the eighties have wages falling and employment rising, and the two are fighting against each other, and poverty comes down only slightly. You don't get the same kick out of economic growth because of this widening wage differential that is really impacting low-skill workers.

Mr. COLLINS. Well, what I am hearing you say, we had tax reform, both in the early sixties and the early eighties, that had an impact on the poverty rate.

Ms. BLANK. The economic changes in the tax reforms were all important. The government programs were important, as well. The evidence shows that this is a multivariate equation, so that what happens with wages, what happens with jobs and what happens with antipoverty programs and antipoverty spending all count. And they count in different ways in different time periods depending on how they are moving.

Mr. COLLINS. Good. Well, I am hoping that others in this body and the administration, too, will look at the fact the Contract With America not only deals with this aspect, but it also deals with economic encouragement, too.

Reverend Sirico, you mentioned in your statement that by gradually eliminating Federal benefits, we probably could recoup some of our loss to the poverty. Just what do you mean by gradually eliminating Federal benefits? Do you have something in mind there? Are you talking about a phasing out period, as I was talking about earlier?

Father SIRICO. Those are prudential questions, yes. I think the ideal is to have most needs met at the most local level of their existence. So I would see phasing out all programs that view things in the aggregate, that view things in the abstract, and that have a macroperspective of things and devolve to the lowest level, perhaps by allowing money to stay at the lowest level with various kinds of incentives and perhaps this needs to be done over a period of time.

I don't think it should be drawn out, because the more you draw it out—there is no better time than the present to do this. And it is frightening to me to think that you might stall and quibble and debate and nuance, because what will then happen is the forces, the lobbying forces and the special interests, whom you are threatening will react. The primary threat of welfare reform, it seems, is not to the poor but to the bureaucracy that justifies its existence off welfare. And those forces will come into being to lobby and prevent this reform. I think you need to do it very rapidly.

Mr. COLLINS. I think that is a very good point. I think there are a lot of people up here who are pushing the alarm button that is actually ricocheting back home that is causing a lot of the friction. But I appreciate your testimony and I hope, too, that we can address the area of charity, that we can go back and encourage those who do have the wherewithal to contribute to charities that will help humanity.

Thanks again.

Mr. NUSSLE [presiding]. Thank you. That is what happens when you haven't chaired a meeting yet. You have got to learn where all the buttons are.

Let me ask—and it goes back to your testimony, Dr. Blank, in particular you had mentioned that one of the things that—only one of the things that we can do is to—or one of the main things that you would suggest we need to do is to change the culture, which, interestingly enough, as I heard the reverend's testimony, it sounded like the same thing. And in fact, this has been my frustration with our whole process here is that you are right.

We are just talking about a few things that are part of the problem. I would never suggest that the government programs are the only reason we find ourselves in this situation. That is obviously not true. However, it is part of the problem. Everyone suggests that how big a part is some debate but it is at least part. So now we have got to go back to discussing what that is. Change the culture. What do you mean?

Ms. BLANK. I am a strong believer in Reverend Sirico's discussion about the role of the local churches, the local institutions, such as YMCAs, community organizations in changing the messages that get through to young people. I think that is—you have got to start there.

Basically, if you don't have those sorts of changes occurring more broadly within the culture, government programs or government changes are sort of irrelevant. Government changes can reinforce that but are not going to start it. And we need to create the impetus through—I suppose one role the government can play here is public education.

With regard to government programs, I think the most important cultural change when you talk about incentives is the question of what happens when a woman walks into an AFDC office. And I think rather than abolishing AFDC payments for groups of women, what we have to do is be much more clear as to what messages we send when women go in for assistance. We need to indicate that we are willing to provide assistance to them but there are mutual obligations here, and I think that is the key message.

Mr. NUSSLE. You are talking about changing programs and the attitudes in the agency. You said change the culture. When I heard that, you struck a nerve with me because it, to me, sounded exactly like what the reverend was saying, change the culture, which is underlying all of the things that seem to be going on.

Part of changing the culture is the welfare, the bureaucracy, the payments, part of it. But that is only one small part. You said change the culture and you—like I say—

Ms. BLANK. I wish I could tell you how to accomplish that change. I wish I could.

Mr. NUSSLE. I only asked what you mean. I am just interested in what you mean.

Ms. BLANK. I mean changes in how we deal with pregnant teens, changes in the messages we send men and women, young boys and girls from the ages of 8 on about what we expect of them in their adolescent years, in their early twenties in terms of what we expect from them with regard to schooling, with regard to behavior. That is a very complex thing to do. But I honestly think if we don't do it, nothing is going to change with regard to this issue.

Mr. NUSSLE. I agree and that is why I zeroed in on that particular point. Because what the reverend is saying and I believe is so correct—and I would like you to elaborate a little bit on that—you know, you are talking of a—I don't want to say bottom-up because it makes it sound like it is not really—that it is maybe not right. But it is bottom-up, families, individuals, neighbors, churches, you know, blocks. I mean, that is what you are talking about first as the first line of defense.

And the reverend never said that I heard no government—I never heard him say that. He said not the first step and not the only step that appears to be—and not driving out all other steps. And part of what I guess I am searching for—and it is not the Contract With America. It is not any of these—it is not any of this.

It is that how does the Federal Government prevent, how do we here in Washington prevent all of these exciting things from happening at the block level, the individual level or the State or community or city level? That is what I am searching for. How would he prevent those things from happening at this Committee table?

Father SIRICO. In a myriad of ways. In a myriad of ways you prevent it not even intending to. You have a macroview of the world. When you have a bad charity that doesn't have any moral expectation to it, what you do is create disincentives for people in their local congregations. Not that it has collapsed the whole thing, but it puts a damper on.

Let me just anecdotally address that. Most religious representatives in this country would agree with this: The best way you can raise a collection or raise money is by evidencing an obvious need. What the Federal Government does is to mask that need because the Federal Government says "we are here."

"We have programs. Illegitimacy—we can help that. Drug abuse—we can help that," and all these things. And you are sending the message to the American people that the government's there. When we ask people to give out of their means, we are asking them to sacrifice. Even with a tax deductibility, it is a sacrifice.



And people are not going to sacrifice if they think there are other resources available.

Just think of how you give and how you manage your income. You really have to turn this whole thing on its head and have the government only to provide in the worst-case scenarios, not in the first resort, and to provide in a way that is indirect, by creating space for opportunities that can exist on the local level.

Mr. NUSSLE. I thank you. And that is where—and I wish my friends were here from the other side because I——

Father SIRICO. I do, too.

Mr. NUSSLE. We all care. It is not an issue of whether we care. That is not it. There is enough caring to go on forever. It is a matter of how do we address it, what is our perspective.

Mr. ENSIGN.

Mr. ENSIGN. Thank you, Mr. Chairman.

Father, let me just read a quote by President Bill Clinton on December 3, 1993. Mr. Bennett addressed that earlier today and he said, and I am quoting now from his—from President Clinton.

If we need to reduce Aid to Families with Dependent Children, it would be some incentive for people not to have dependent children. I once polled 100 children in an alternative school in Atlanta, many of whom had had babies out of wedlock and I said, if we didn't give any AFDC to people after they had had their first child, how many of you think it would reduce the number of out-of-wedlock births? Over 80 percent of the kids raised their hands. There is no question that that would work.

Your comments on that.

Father SIRICO. What was the quote, though, after that? There is no question that would work but—I seem to recall—"but of course we can't do that," something like that?

Mr. ENSIGN. Yes. Yes, basically.

Father SIRICO. We can do it. It can be done. And there will be people present for those who are in need. The fact—I mean, I understand that you live here and you work here and you are absorbed with the whole thing of Washington.

I am not a politician. I have no aspiration to be a politician. But please understand, because you don't do something doesn't mean it is not going to get done. You have very vibrant, equally as intelligent people, pastors of churches, directors of organizations all over this country who are not political and who will organize if you move away the debris and the obstacles to that organization and perhaps make a little bit more incentive available, like the 110 percent tax deductibility or tax credits or remove the net of regulations that inhibit the poor from benefiting themselves or that prevent ministries from meeting people's needs. I could give you anecdotes about that, as well.

Mr. ENSIGN. To follow up on that, we heard some comments earlier today about public funds being funneled through the churches and local community organizations, and I want you to address that because I have some fears of that. I have some fears that when the church asks what happens in Europe, that once the church starts taking money from the public funds, that then there will be strings attached, that then the churches will become dependent on that instead of dependent on the funds, the willing givers. Obviously, in the Bible it talks about that God wants willing givers. He doesn't

need the money. He wants you to have a willing heart and a giving heart.

Father SIRICO. I agree with you fully. And the people who have opposed this—let's funnel it through the churches—don't get the point. They are not getting the point yet. The point is, why do we have to bring it here and then give it back, thereby controlling and effectively socializing the private welfare systems that exist in this country and are doing effective and good things?

Leave it at the most local level. Create some incentives for people to give, but, by all means, if you simply subsidize the churches in their social mission, you are going to replicate the problem and also at the same time kill the systems that are some of the most effective in this country. So I am against any funding to religious organizations. Besides which, you will have all kinds of debate about that kind of thing from all political quarters.

Mr. ENSIGN. There is no question. I think what we are talking about getting the money back to the States—and I think further than that, what we need to do is get back from the States then to the local levels and then—

Father SIRICO. Or leave it there.

Mr. ENSIGN. Yes, leaving it there.

Father SIRICO. Leave it there.

Mr. ENSIGN. And then eliminating as much as we can from the public funding of it, letting people keep more of the money, taxwise, and then they would in turn increase their giving to churches, local community organizations. There we don't have some of the money taken off the top when it comes to Washington for administrative costs and then returned with all the strings attached, where we have ended up with a lot of the problems that we have had.

I thank you, Mr. Chairman.

Mr. NUSSLE. Thank you.

The gentleman from New York, Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

Dr. Blank, I will need your help in trying to get some support for the concept that you responded to with Congressman Ford, and that is that the lack of hope that exists in these communities, the inability to even think you can get a job, like in the old days because they have gone overseas now, have caused a lot of these youngsters not to feel stigmatized.

I mean, even to be in poverty, to be ignorant enough to believe that you would have this child with or without funds just so you could have love, knowing that either poverty caused the child but the child's going to end up in poverty, I would like to share some of my concepts with you but, more importantly, to get your ideas as to how it can be perfected, because if you really look and see who is making these babies, who is doing the drugs, who is doing the crime, none of them are employable. None of them have any dreams of the future. None of them have any jobs. I just want to work with you and see whether you can help me perfect it.

Father, again, I want to thank the Chair for inviting you. As one altarboy to a priest, I know notwithstanding your testimony—that there must be something that we ought to agree on. One of them is that this child is a creation of God, and whatever the mother did

or didn't do, that child should not be punished for whatever immorality the mother had. And whoever these benefits—health, food, shelter, things that Mary and Joseph were looking for—should not be denied to that child.

I know we agree on that. But you said something about you being against funding for religious organizations. That wasn't just generally, was it? I mean, you didn't mean Catholic Charities.

Father SIRICO. I am against Federal funding for religious organizations. I was asked whether it would be good to funnel money through religious organizations in order to accomplish these things.

Mr. RANGEL. The way we do it here is that we give Federal credits, that is, people don't have to pay taxes if they give to a church, which is subsidizing them. You don't object to that?

Father SIRICO. No, I don't think that is a subsidy at all. It is only a subsidy if you presume that the money is yours in the first place. I believe it is not the government's money in the first place. It belongs to the people who produced it, it belongs to them.

Mr. RANGEL. Let me try again.

Father SIRICO. Sure.

Mr. RANGEL. Once everyone's tax liability is established, that is the law, that is what they owe. Then when the government says we reduce that if you give to the church, as a deal to encourage giving to the church. So I don't think you view it as a subsidy in the strict sense of a subsidy. Because if you were directly subsidizing, there would be all kinds of redtape and standards that you would expect to accompany the subsidy.

This organization, Action Institute.

Father SIRICO. Acton Institute, Lord John Acton.

Mr. RANGEL. What is it?

Father SIRICO. Lord John Acton. He said, "Power tends to corrupt and absolute power corrupts absolutely."

Mr. RANGEL. Is this a nonprofit organization?

Father SIRICO. It is, yes. We take no government money by constitution.

Mr. RANGEL. Are the contributions tax exempt?

Father SIRICO. Yes.

Mr. RANGEL. And when you buy things and whatnot, you don't pay taxes under the 501(c)(3)?

Father SIRICO. Yes.

Mr. RANGEL. Now, is this a subsidiary of the Catholic Church?

Father SIRICO. No, it is not. It is completely independent.

Mr. RANGEL. This has nothing to do with religion.

Father SIRICO. Yes, it has to do with religion. You asked me if it was a Catholic organization.

Mr. RANGEL. Catholicism?

Father SIRICO. We are ecumenical. We work with people from all different faith traditions.

Mr. RANGEL. Your testimony, does this represent the thinking of the Roman Catholic Church?

Father SIRICO. In its institutional form? Do you mean am I a representative of the Catholic Bishops Conference? I am not. However—

Mr. RANGEL. Do they support what you have said here today?

Father SIRICO. You would have to ask them that. On prudential matters, Catholics have a wide variety of opinions. However, I would indicate that the principle of subsidiarity has been articulated throughout the Catholic tradition and, in fact, the—the section where I deal with the principle of subsidiarity is drawn from the encyclical of John Paul II, *Centesimus Annus*. I believe it is the 48th paragraph.

Mr. RANGEL. Father, remember me in your prayers. But what I really want to find out, is there any Catholic Church organization that believes that we should not provide funds for a child that is born out of wedlock?

Father SIRICO. Well, your presumption—you are asking that government should not provide——

Mr. RANGEL. AFDC is what we are talking about here.

Father SIRICO. Yes.

Mr. RANGEL. Do you object to anything——

Father SIRICO. We have talked about an awful lot. I have been here 3 hours.

Mr. RANGEL. A child, 18, just because she is 18, has a child, should we be allowed to provide money for her child's health and welfare?

Father SIRICO. I don't think that there is any moral obligation for the government in all cases to do that.

Mr. RANGEL. OK. Period.

Father SIRICO. Period.

Mr. RANGEL. Does any Catholic organization that you know of, the Catholic Bishops or Catholic Churches or priest organizations that you know of agree with the position you just stated?

Father SIRICO. I am sure there are different groups of Catholics and Catholic organizations and charities.

Mr. RANGEL. I am sure there are too, but I need them for the record so I can go to them.

Father SIRICO. I would say probably St. Martin de Pores' House in Chicago which deals with women like this.

Mr. RANGEL. Chicago is different.

Father SIRICO. South side.

Mr. RANGEL. That is different.

Father SIRICO. The Catholic Campaign would probably agree with that.

Mr. RANGEL. OK.

Father SIRICO. I believe that is Washington, actually.

Mr. RANGEL. Do you believe that if a woman has a second child and she is on welfare, that no benefit should go to that second child?

Father SIRICO. I think in certain cases, that is a very good idea if I was dealing as the director of a charity.

Mr. RANGEL. Father, help me.

Father SIRICO. Let me just answer the——

Mr. RANGEL. But, Father, answer me——

Father SIRICO. That is the problem, Congressman, is that you are viewing it in an aggregate. And I am saying, tell me who the woman is, tell me what the second child is about? Has she been raped? What has gone on in her life. Then I can answer that question.

Mr. RANGEL. OK. The woman had sex, she made a mistake, she is getting welfare. Boom, she makes another mistake, she is pregnant. That is the story.

Father SIRICO. OK.

Mr. RANGEL. Should the second child be denied assistance?

Father SIRICO. From the government, perhaps so.

Mr. RANGEL. This is us, the government.

Father SIRICO. Yes, I know. And what I am saying is, let it devolve down to local charities who can make these more nuanced decisions.

Mr. RANGEL. I am not going to argue with you. You deal with a higher authority than I do. I am just trying to help myself in thinking about this issue.

Father SIRICO. I'm relieved you know that.

Mr. RANGEL. The Catholic Charities, does the Catholic Charities or the Catholic Bishops agree with that point?

Father SIRICO. You have to ask them. I am not on their staff. Let me explain something, though, vis-a-vis Catholic Bishops and the staffers and their policy recommendations. Those are prudential decisions that are made. The Catholic Church does not advocate any partisan view.

The concern of the Catholic Church is the dignity and the well-being of each human being. And the way in which those needs are met are open to all kinds of philosophical and prudential debates.

Chairman SHAW. OK. The time of the gentleman—

Father SIRICO. And I think any Catholic bishops would agree with that statement.

Chairman SHAW. The time of the gentleman has expired.

Mr. RANGEL. Well, we have to pray together.

Father SIRICO. Let us do that.

Chairman SHAW. Well, we should end on that one.

Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman.

I apologize. I was at a trade meeting and couldn't hear your testimony. But I did have a question, Father. Maybe you have answered it. And if you have—do you think that individuals will change their behavior if welfare policy is changed?

And what we are trying to do is institute changes that will promote work. We will time limit welfare. Do you think that will have any effect?

Father SIRICO. I think that will have an effect if, coupled with that, you will allow people on the local level to pick up the slack of the government. And by that, I do not mean that you have to transfer that absolute amount to local agencies. What I am saying is that we can do it more effectively, more efficiently, and that we can instill the moral guidelines and expectations and standards that are required to transform a person's life.

Yes, I think that that can be picked up and that will discourage, if you have this kind of moral tutoring going on, that will discourage the kind of immorality that has produced the illegitimacy rates.

Mr. CAMP. The proposal we are looking at would stop giving cash payments to mother—children who have children, and, instead, we

would block grant that to the States along with the housing program and allow the States to develop programs.

Do you have any opinion on that provision?

Father SIRICO. As I said in my statement, my fear is that merely in doing that, we will run the risk of creating State capitol bureaucracies that will replicate the problem we are currently facing with the Federal situation.

I think it is a step in the right direction but I think we need to go more radically. And I would say that you have a—and I will repeat what I said earlier. You have a great opportunity right now. The country is expecting you to do something radical. The longer you wait, the more difficult it is going to be, the more the forces of reaction will—will put roadblocks in your way.

Do this, do it very radically, and expect institutions on the local level to minister with great love and great care and great concern for the people with whom we live.

Mr. CAMP. Thank you very much.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you very much.

Welcome to all three of you. Let me follow up on my colleague and friend's questioning, Father, because it is not quite clear to me. In your testimony, you said, in my view, the Federal Government should not now try to tinker with its welfare programs to punish women who give birth to children outside of marriage. But then you seem to say, essentially, let's get the Federal Government out of that decisionmaking, right, and you prefer the State government be out of it.

I checked, by the way, the administrative expenses figures in the book, and they are about the same on the State and Federal level. I am in favor of Federal devolving considerable authority to the States or flexibility for the States, but just so we are clear, while the administrative expense is 10 percent, it is not 40 or 50 percent.

It seems to be about the same on the State and Federal level, which might support your position that there shouldn't be really a devolution mainly from the Federal Government for the States but by all government for the private sector. It seems to be your position.

Father SIRICO. Great portions of the Federal Government to the private sector, what can't be done by the private sector in cases of emergency, catastrophes and things like that might be done by government. I don't think, however, that by the government limiting its role in these circumstances it is punishing people.

I think what it is doing is removing itself and allowing institutions to come in and deal with people on a much more individual level.

Mr. LEVIN. I understand that. Now, you are also saying—I think you said for Representative Camp that devolving not mainly from the Federal for the State but from the Federal Government—the responsibility, for the private sector, your statement in favor of that, you said that doesn't mean that we would provide the Federal funding or the State funding, that the funds would not go with the responsibility.

So what you seem to be saying is that because private institutions can shape programs better per individual, let them do it but without basically major governmental funding, and then your theory is because Federal funding has crowded out private contributions.

Well, you said you are for radical change, I think, that is. Now, let me ask you this: Do you think there are any private organizations today that would say they could take over the full responsibility now undertaken by Federal and State governments—the States are into this, too—without any significant governmental funding increase? I mean, you think any organization would agree that they could do this now?

Father SIRICO. Well, let me make two remarks about that. The first is that it is a mistake to think that the amount of money would have to be raised by private organizations. That is the amount of money that is currently being spent by the Federal Government for various programs.

Second, I would imagine that there would be a whole host of organizations that would be willing to stand and say yes, if you allow us without the kinds of regulations that currently impede our work and with the proper kind of tax incentives and with a vibrant economy that would allow people to have a greater—to retain a greater share of their income without the onerous tax burdens that many people now labor under, then I think, yes. I think there would be—and not only that, I would also predict that a whole host of organizations would come into existence to meet the needs of the poor.

Mr. LEVIN. Just quickly, because the light has shifted its color, and I think red comes next, you imagine, you say, you predict—

Father SIRICO. That is a good point.

Mr. LEVIN. What do we do? We just cut off the funding?

Father SIRICO. This is exactly the gravamen of the argument here, isn't it? I dissent from the notion that the State knows what to do about these problems.

Mr. LEVIN. That isn't the issue I am raising. What I am saying is, if we shift from governmental involvement strictly or essentially for private responsibility, the private caretaker notion—caretaker isn't the best word, but private sector responsibility—you predict and assume there would be funding.

But how do we know that and what do we do in the meanwhile? Do we put all the people who are presently at risk—most of these are children—do we put them in a position of assuming your assumptions are correct?

Father SIRICO. Well, these are very good and complex questions. Let me just make—

Mr. LEVIN. What is the answer?

Father SIRICO. Well, the answer is, I would refer you to the Nobel laureate's Friedrich Hayek's book, "The Fatal Conceit." The conceit of government, that it knows what it is doing and it can micromanage everybody's life.

Second, I would say if we were accustomed as a society to having the government provide all of our food and someone came up with the radical notion that we should allow food to primarily be provided by the private sector, the similar kind of question you have asked me would be asked of the person proposing that.

Chairman SHAW. The time of the gentleman has expired.

Mr. Rangel raised a question. Mr. McCrery says he has the answer. I am going to yield. I yield back to Mr. Rangel and then we will return.

Mr. MCCRERY. I just wanted to help out Reverend Sirico with the question posed by Mr. Rangel with respect to the Catholic Charities, whether they have an official position of not giving cash benefits to women under the age of 18. In fact, they do. Catholic Charities recommends that no cash benefits be given to children under 18 having children. So that is an official position of the Catholic Charities. It is right here.

Mr. RANGEL. Would you help me for 1 minute? Would Catholic Charities support the Contract With America provisions as we know that? Do they endorse that? Because I really don't know.

Mr. MCCRERY. Well, I will read to you exactly what they say and you can decide for yourself.

Mr. RANGEL. Well, that would be good.

Mr. MCCRERY. Catholic Charities recommends there should be a minimum legal age at which one becomes eligible for AFDC, age 18 is recommended.

Mr. RANGEL. We are talking about—

Mr. MCCRERY. That is what the Contract says.

Mr. RANGEL. What about the second child? Is that included in that at all?

Mr. MCCRERY. They don't speak to the second child.

Mr. RANGEL. What about the 2-year work limitation? Is that in there?

Mr. MCCRERY. They do make references to work, yes.

Mr. RANGEL. They do all of these wonderful things—

Mr. MCCRERY. All of these things would be available through the States.

Mr. RANGEL. The outfit in Chicago—

Mr. MCCRERY. I just thought you wanted to know the answer to the question.

Mr. RANGEL. No, I appreciate that some Catholics are doing things about it, so I am glad. Thank you.

Chairman SHAW. Well, on that note, we will now recess.

I want to thank the final panel and, also, I want to thank you for indulging me and allowing the third panel to come in ahead of you. I appreciate that very much.

We will be adjourned and we will be reconvening at 12 noon on Monday.

[Whereupon, at 1:58 p.m., the hearing was adjourned, to reconvene at 12 noon, Monday, January 23, 1995.]



## WELFARE REFORM

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MONDAY, JANUARY 23, 1995

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON HUMAN RESOURCES,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 12 noon, in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

Mr. CAMP. The meeting will come to order. This is the Subcommittee on Human Resources of the Committee on Ways and Means.

At this time, I would like to recognize Mr. Collins for an opening statement.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Chairman, Republicans want able-bodied Americans to work. That is why we are greatly concerned by the leap that welfare has taken. Recent studies indicate that the average family now on Aid to Families with Dependent Children will be on the welfare rolls for over 7 years if repeat spells are counted. This situation is a tragedy for both the adults on welfare and their children. It is also a tragedy for taxpayers.

In the past, it was considered compassionate to continue giving these families public benefits—cash, food stamps, medical care in nearly every case, and housing, child nutrition, home heating and other benefits in many cases. When Republicans began arguing that simply giving away welfare benefits was bad for able-bodied adults because it encouraged them to become more dependent on public aid we were at first a lonely voice saying what had to be said.

Thankfully, that day is long past. It appears that we now have reached consensus on the belief that just giving things away is bad policy. Rather, we must expect people to return something to society when society extends a helping hand. Today, requiring able-bodied adults to work is recognized as good policy for welfare recipients and taxpayers.

Some critics of Republican policy demean the kind of work such as raking leaves and hamburger flipping that young, unskilled parents take when they first leave welfare, but millions of Americans work, support their families and even pay taxes by accepting just that sort of job. These adults should be greatly respected and complimented, especially if these low-skilled jobs help families leave welfare and especially if these jobs lead to better jobs, as they so often do. It is often the disciplined work ethic and good habits de-

veloped in these jobs that lead to advancement up the economic ladder of success.

A major component of welfare reform is figuring out how to use government to help more families leave welfare by working. We know that over 1 million families leave welfare each year because of work. We also know that too many of these families later return to welfare. So our task is twofold: First, finding ways to help adults prepare for and accept jobs that get them off welfare; and, second, finding ways to help adults stay off welfare. In our view, we need a combination of carrots and sticks to achieve these two goals.

From the moment parents show up in the welfare office they should be encouraged to prepare for work and to search for jobs. Further, the overwhelming majority of parents should begin pursuit of work with two realizations, that there is a definite time limit to cash welfare and that their fellow citizens have established programs outside the welfare system to help them.

These programs outside the welfare system include the earned income tax credit, which will soon provide a working mother and two children up to \$3,500 in cash per year, transition Medicaid and day care benefits that last for 1 year after welfare, more than \$11 billion in child care spending on a variety of programs, and many billions more on a host of coverages for medical care.

The purpose of our hearing today is to learn the characteristics of programs that are successful in helping adults on welfare avoid dependency by learning to rely on their own efforts. Then Congress must give States the flexibility and resources necessary to achieve the delicate balance of public assistance and mandatory requirements that are the hallmarks of programs that help adults achieve independence from welfare while treating them with the dignity that comes with citizenship.

Mr. CAMP. Thank you.

Now I recognize Mr. Ford for purposes of an opening statement.

Mr. FORD. Thank you, Mr. Chairman.

I want to welcome the witnesses who will be testifying today on welfare dependency and the welfare-to-work programs.

Today's hearing is critical to the welfare debate. It raises the fundamental question facing us: How can we help families on welfare to support themselves so that they no longer need to rely on the government?

Democrats and Republicans can certainly agree on one thing: Working at a job that supports your family is far better than working to rely on welfare. Where we sometimes differ is with the means we must use to achieve that goal.

When it comes to work programs for AFDC recipients, our first task is to build on the work program that was established in 1988 to make it even more effective than it is today. We have now had several years of experience with the JOBS Program, and it is time to fine tune JOBS, perhaps give States more flexibility, and make certain that we have the resources to mount an aggressive welfare-to-work program.

We must also set realistic participation requirements that recognize the fiscal capacity of States and their true ability to implement a welfare-to-work program and that reflects an understand-

ing of the welfare recipient herself, her strengths and her weaknesses and her abilities.

Mr. Chairman, I am pleased to hear that those who are here to testify today also stress in these areas the same type of things that we are talking about and, hopefully, that we can look at this welfare bill or the welfare debate that will be before this Committee and move a bill with a work program, that we know that job creation must play a major role in trying to replace welfare and offer an opportunity for many people who are in the welfare populations an opportunity to have education, training and a decent job to provide for the basic necessities of life for them and their children.

Thank you, Mr. Chairman.

Mr. CAMP. Thank you.

I would like to welcome our witnesses today.

Our first panel is led off by Judy Gueron, one of the country's premier experts on welfare-to-work programs and the president of the renowned Manpower Demonstration Research Corp. Lawrence Mead is a distinguished social scientist who has written extensively on this issue, and Toby Herr has conducted for many years programs that actually get welfare recipients working and staying off the welfare rolls.

Welcome.

#### **STATEMENT OF JUDITH M. GUERON, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP.**

Ms. GUERON. I appreciate the opportunity to appear before you today. I will summarize my testimony and request that the full testimony be included in the record.

My remarks focus on why welfare-to-work programs have been the central element of reform efforts for the last 30 years and why they will be critical to the success of reforms under discussion in 1995.

AFDC was explicitly created in 1935 to help single mothers, primarily widows, stay out of the labor force and take care of their children. The goal was to reduce child poverty, and the possibility of long-term welfare receipt for that group was accepted. But since then much has changed: Women flooded the labor market, and mothers on welfare are now primarily unmarried. Providing long-term support is clearly not popular.

The public wants change, but it also wants reform to satisfy two conflicting goals: Providing a safety net under children and requiring that their parents work.

Starting in the late sixties and in 1988 with the creation of the JOBS Program, Congress and the States crafted a new basic compromise to reconcile these goals. Welfare should be transformed from a no-strings-attached entitlement—if you were poor you got money—to a program where families could continue to get support but parents would have to participate in some work-directed activity or work for their benefits.

Effecting this transformation has not been easy. Nonetheless, there is an unusually reliable record showing that change can be successfully implemented and that jobs can be a fourfold winner: Helping to meet society's two goals—providing more money for children and substituting work for welfare by their parents—generat-

ing budget savings and making welfare more consistent with public values.

The best evidence comes from a recently completed study of California's JOBS Program called GAIN. At its most successful, Riverside County, which sets a benchmark for JOBS' potential—and the director of that program you will be hearing from later—GAIN produced a 50-percent increase in earnings and a 15-percent decline in welfare outlays, thereby returning taxpayers almost \$3 for every \$1 spent to run the program.

Throughout the State of California the results were about half that good. Riverside's program was distinguished by its emphasis on getting people a job quickly, its reliance on job clubs but substantial use of basic education, its enforcement of a participation mandate—getting about 60 percent of people into some activity—its close links to the private sector, and its cost-conscious and outcome-focused management style.

Studies suggest that different JOBS approaches yield different results. Job clubs can get people into employment quickly and save taxpayers money but do not improve job quality or succeed with the most disadvantaged. Adding some skills training can cost taxpayers more but can lead to some better jobs and might make a greater long-term difference in earnings. Programs that favor quick employment but also include some human capital development services can combine the benefits of both strategies.

As for mandatory work-for-benefits—or workfare—programs, in strictly budgetary terms these don't appear to save money, and they have almost always been at small scale. However, they provide a means to maintain a safety net for children while sending a strong prowork signal to their parents and producing socially useful work. To save child care costs States have often limited the work hours in such programs.

Bringing the JOBS system nationwide up to the standard of high performance programs is a vital prerequisite to making a time limit—either with some form of work at the end or with all support simply ending—feasible and affordable. This is because, from a State's perspective, the risk of time limits will be high unless more people leave welfare before reaching the time limit. If not, too many will hit the cliff and either require subsidized work at added cost or face a dramatic loss of income.

But Federal and State actions are needed for JOBS to reach its potential. To make the mandate real, JOBS needs more resources. Yet, despite broad-based enthusiasm for work programs, funding could be at risk if States under block grants have to pay for AFDC benefits and work programs out of the same resources. Efforts to reform welfare must also confront the limited work potential of some welfare recipients. While most can work, some cannot or could only with close supervision.

A final word about the welfare reform debate itself. It will be critical not to overpromise about the likely success of reform. Helping the public understand what level of change is attainable might break the cycle of cynicism that has resulted from past waves of welfare reform.

Thank you.

[The prepared statement and attachment follow:]

**TESTIMONY OF JUDITH M. GUERON  
MANPOWER DEMONSTRATION RESEARCH CORPORATION**

Good morning. I am Judith Gueron, President of the Manpower Demonstration Research Corporation (MDRC). I appreciate the opportunity to appear before this Committee today to present what is known about the effectiveness of welfare-to-work programs.

**Background: Adding a Participation Requirement to an Entitlement**

As background, it is critical to recall why a work strategy has been at the forefront of welfare reform efforts for the past 30 years, and why current proposals make the success of this approach even more vital.

The welfare reform debate in this country reflects a dilemma identified as long ago as the Seventeenth-Century English Poor Laws: Is it possible to assist poor people without, by that very act, giving them incentives for behavior that perpetuates poverty and dependency? In particular, is it possible to provide support for employable people without discouraging work?

This reform dilemma arises because, as a nation, we have two conflicting goals for welfare. First, Americans do not want children to be poor, and thus our first goal is to reduce child poverty. The most direct way to do this is to provide the parents of poor children with money. But, second, Americans also think that parents should be working and supporting their children. One way to encourage this is to reduce welfare benefits so that work is the only reliable alternative to starvation.

However, children and their parents are a tied sale: You cannot help one without helping the other. Thus, it is hard to get tough on parents and yet continue to provide a safety net to support their children. When the federal government began providing income assistance to poor families, as part of the Social Security Act of 1935, times were different and, for single mothers, the public placed primary emphasis on the first objective. Thus, the Aid to Families with Dependent Children (AFDC) Program was explicitly created to help single mothers stay *out* of the labor force and take care of their children. One researcher, Gilbert Steiner of the Brookings Institution, has called AFDC's enactment a national commitment to the idea that a woman's place is in the home. The public thought this was fair because, at that time, fewer middle-class women were working and because AFDC supported a popular group (primarily widows or the wives of disabled workers). People did not care if welfare reduced this group's work effort (they intended it to) or remarriage rate. Contrary to what you hear, individual welfare entitlements were not meant to be temporary.

However, with the extraordinary tripling of labor force participation by women over the last 40 years, the public no longer thinks it is fair to support poor single mothers, when other women are working for little money and often not by choice. That welfare mothers are now more likely to have had children outside of marriage adds to their unpopularity.

Beyond equity issues, the public is concerned that welfare creates perverse incentives and worries that if you pay for something, you will get more of it. The fear is that a welfare system that provides funds mainly to women who are single mothers promotes illegitimacy by enabling women to support their children without depending on men. While the research record is not clear on how much welfare has promoted single and unwed motherhood, the concern persists.

These developments undermined support for the original idea that welfare should provide an alternative to paid work. Instead, a new basic compromise was forged: A mandatory welfare-to-work strategy was added, and the notion of welfare as temporary and transitional was introduced. Under this approach, Congress has maintained the basic AFDC safety net, but added work-related mandates in an effort to mitigate the unintended consequences that might flow from providing assistance. In effect, AFDC was changed from a no-strings-attached entitlement — if you were poor, you got money — into a reciprocal obligation, under which, to get full income support, people would have to participate in some work-directed activity or work itself.

The attractiveness of the work strategy was its promise to reconcile society's two goals. Yes, families (and thus children) would continue to get income, but that income would be reduced unless the parents took steps toward work. The hope was that new requirements would simultaneously change the values conveyed by the welfare system, make welfare less attractive, and provide services that would speed the transition to self-support.

The general approach was that welfare recipients would have to participate in activities designed to help them get an unsubsidized job — activities such as job search, education, skills training, or unpaid

work — or risk losing some share of their welfare benefits. Since 1967, there have been several visions of how to make this mandate real. Under the Work Incentive (WIN) Program during the 1980s, the emphasis was on getting women with school-aged children to look for work. Research showed that the resulting relatively low-cost job search programs could be cost-effective, but that many people remained on welfare and those who went to work got low-paying jobs. This led to a more ambitious focus in the Family Support Act of 1988 and the Job Opportunities and Basic Skills Training (JOBS) Program it established: extending the mandate to women with younger children and providing a mix of services — with an emphasis on education and training — in an effort to further promote work, reduce poverty, and decrease long-term dependency. While some people emphasized that WIN and JOBS involved participation in employment-enhancing activities, others argued that those who were not successful in finding regular jobs would have to work in government-created community service positions in order to receive continued income support. Most recently, advocates of the latter approach propose setting a firm limit on the length of time people could receive employment services, after which the only option for continued public support would be some form of work.

Over the past 25 years, states have struggled to make a conditional entitlement real. This has proven difficult. Where successfully implemented, such programs have increased work and reduced reliance on welfare but, alone, these programs do not appear to work miracles. Does this mixed experience suggest that it is time to abandon the basic compromise of the welfare-to-work strategy?

In this testimony, I argue that the answer is a compelling “no,” and that, quite to the contrary, our nation should now redouble its efforts to make this transformation succeed. This is because work strategies still offer the best hope for reconciling society’s dual goals and containing costs. Moreover, if we care about protecting children, successful welfare-to-work programs will be even more urgent if Congress or some states decide to place time limits on welfare (followed either by work or a cutoff in all income support).

#### **What Challenges Do Welfare Administrators Face in Transforming AFDC?**

Administrators face four challenges in transforming AFDC into a work-focused mandate that moves people permanently from welfare to work. The first is resources. Enforcing participation requires an up-front investment in staff (to connect people to services, monitor their participation, review reasons for nonparticipation, and cut grants if people do not play by the rules); in providing activities (job clubs, work slots, etc.) that are sufficiently plentiful to give teeth to the mandate; and in child care, transportation, and other support services so that AFDC mothers can participate.

The second is changing the culture of JOBS program offices, and possibly welfare payment offices as well. Laws are made in Washington and state capitals, but policy becomes real in the exchange between welfare staff and recipients. The past focus on rooting out fraud and abuse has put the accurate determination of people’s eligibility for benefits at the top of the agenda in most welfare offices; getting them into jobs has been something of an afterthought. Moreover, efforts to change this have often left staff overwhelmed and confused: They are told to provide in-depth support and to closely monitor recipients, but have caseloads of several hundred; they are given contradictory goals of simultaneously transforming people’s earning capacity and getting them jobs quickly; they are told to get jobs for potential long-term recipients, but not how they might accomplish this. Changing the culture in JOBS offices will require clear priorities, adequate staff, and sufficient resources.

The third challenge concerns the women themselves. AFDC recipients are an extremely diverse group, with some being highly employable and others being close to disabled, although not eligible for Supplement Security Income (SSI) benefits. A recent survey of people who were targeted for the JOBS program in selected sites shows that between a quarter and half lacked prior work experience, at least a third had extremely low literacy skills, and more than a quarter said they could not participate at that point in time because they or their child had a health or emotional problem. (The share unable to participate would have been larger if the survey had covered *all* AFDC recipients, i.e., including those not currently subject to the JOBS mandate.) But, somewhat surprisingly, the same survey shows that welfare recipients support the idea of participation mandates. Furthermore, the vast majority say that it is fair to make people on welfare get a job, even if they do not want to.

The final challenge, which affects the ability of any work-focused mandate to succeed, comes from the job market and economic incentives facing welfare recipients. In pushing recipients to work, and equipping them for it, states have been swimming upstream against the strong current of declining wages for the low-skilled. The combination of the low wages they command and the perverse rules

of the welfare, Medicaid, and child care systems — where people can be worse off working than on welfare — means that welfare recipients have little economic incentive to work.

These last two challenges — low skills and little economic incentive to work — help explain why welfare recipients who take jobs often leave or lose them quickly.

### **Was JOBS Implemented? Has JOBS Failed?**

Reports from the General Accounting Office, the Rockefeller Institute of Government at the State University of New York, and MDRC show huge variability in the success of states in implementing a work-focused mandate. JOBS was supposed to provide both carrots and sticks: offering employment-directed services, but requiring that people participate and take steps toward self-sufficiency. In 1988, the public was led to expect that the new legislation would fundamentally change the message and character of welfare and reduce the rolls. In some places, as a result of JOBS, welfare is now very different; but in many places, it is not. The reasons are clear: States had little knowledge of how to implement high-performance programs; there was no consensus on goals and the means to reach these goals; and, most importantly, JOBS programs did not have the resources to make the mandate real for most of the AFDC caseload, especially since the program was implemented during a recession that drove up the rolls and limited states' ability to provide the match to draw down available federal funds. As a result, JOBS has provided some new education and training services for welfare recipients, and states have largely met the participation targets set by Congress. But in many places it operates as a voluntary program, which clearly was not the intent of the Family Support Act.

While the national experience is mixed, studies have identified clear examples of excellence: JOBS programs that have successfully implemented a participation mandate, changed the nature of welfare, and gotten many welfare recipients to substitute earnings for AFDC payments. I will turn to the findings in a minute, but the larger lesson I want to stress now is that we know that JOBS can do much more than it has so far accomplished. In this area, we act on knowledge, not hope. The challenge is to learn from and build upon the more successful programs.

### **Would JOBS Matter in a World of Time-Limited Welfare?**

Is this worth doing? Does JOBS have a role in an era of time limits and cut-offs? Making JOBS-type programs work better can not only respond to the public's dissatisfaction with no-strings-attached assistance, but is also vital to making a time limit — either with some form of mandatory work at the end or with all support simply ending — feasible and affordable, and reducing the misery involved in such a transformation.

I say this because, from a state perspective, it seems that the risk of a time limit will be too high unless more people than is now the case leave welfare *before* reaching the limit. If not, too many people will "hit the cliff" and either require subsidized work, which will cost the public more than cash welfare, or face a dramatic loss of income, with unknown effects on families and children and, ultimately, public budgets.

Thus, building high-performance JOBS programs is not an alternative to, but a prerequisite for, any form of time-limited welfare. The challenge in Washington is to assure that the resources, incentives, and knowledge are there to make this investment feasible; the challenge in the states is to make a reality out of JOBS' potential.

### **If JOBS Remains Critical, What Is Its Potential?**

Successful JOBS programs can impose a real participation mandate, increase employment, and reduce welfare costs.

#### **1. JOBS' potential to implement a participation mandate**

It is easy, sitting in Washington, to assume that anything less than 100 percent participation means that administrators are not taking the JOBS mandate seriously. But if legislation is to reflect reality, it is critical to understand why this is not a reasonable goal, even for the toughest administrators, those committed to getting everyone to participate.

The best evidence on maximum feasible participation comes from two large-scale special demonstrations conducted during the 1980s — the San Diego SWIM Demonstration and a West Virginia work-for-benefits demonstration for men in two-parent welfare cases — that had adequate

funds and an explicit goal and desire to get everyone to do something. Other evidence comes from studies of current JOBS programs that emphasize participation and are not reticent about imposing sanctions. These include the JOBS programs in Riverside (California), Kent County (Michigan), Columbus (Ohio), and Portland (Oregon).

The SWIM and West Virginia studies show that, in a typical month and by working with *all* people subject to the mandate — and in San Diego, spending about \$1500 on each person — administrators could get 50 to 60 percent of them either to be active in the program or to hold an unsubsidized job (usually part time) while remaining on welfare. The reasons for nonparticipation varied: Some people were waiting to begin an activity, some were excused because of temporary illnesses or to care for a disabled child, some were considered unemployable, some had grants too low to warrant work-for-benefits assignments, and others were having their grants reduced (i.e., they were being sanctioned) for noncooperation.

## **2. JOBS' potential to change behavior and save money**

MDRC has recently completed an eight-year, six-county study of 37,000 people in California's GAIN program, the nation's largest JOBS program, which shows several models of success. While, on average, GAIN succeeded in increasing earnings and reducing welfare benefits, impacts were at least twice the average — and, indeed, the most impressive measured to date — in Riverside County. There, GAIN led to a 26 percent increase in the share of AFDC recipients working, a 49 percent increase in average earnings, and a 15 percent decline in welfare outlays, all of which helped the program return to taxpayers almost \$3 for every \$1 spent to run the program. (See Table 1.) Riverside produced dramatic results for all groups in the caseload, including very long-term recipients (who were on welfare continuously for at least six years), people with poor educational skills, and people with preschool-age children.

Riverside's program and the GAIN programs in San Diego and Butte counties proved to be triple winners. In terms of society's two goals for reform, which I mentioned earlier, they increased both the income of welfare families (getting more money to children) and people's self-sufficiency (by getting parents to substitute earnings for welfare). In the process, they also saved money for taxpayers by generating measured budget savings that actually exceeded (or, in the case of Butte, equaled) the up-front investment in operating the program. Not many social programs can match these accomplishments.

While these findings are impressive, Riverside's GAIN program has not eliminated welfare or transformed the earnings potential of welfare recipients. More people got jobs than would have gotten them without the program, and got them sooner, but they were usually not "better" jobs and families were rarely boosted out of poverty. Three years after enrolling in Riverside GAIN, 41 percent of people were still receiving welfare benefits, although some of these were working and receiving reduced grants.

### **What Explains Riverside's Success?**

Real-world JOBS programs are complex amalgams of work-directed services, management style, operational decisions, available resources, and local environments. Success hinges to a large degree on what activities are provided (job search, work experience, education, or training), how they are targeted (serving a few people versus requiring that all must participate), and the manner in which they are provided (the message, the management, and the mandate).

Riverside provides one version of a high-performance JOBS program. In testimony before this Committee last year, I characterized their tough and conservative version of the JOBS program as follows:

More than any other place I know of, this program communicates a message of high expectations. When you walk into a GAIN office in Riverside, you are there for one purpose: to get a job. At orientation, job developers announce job openings; throughout, program staff convey an upbeat message about the value of work and people's potential to succeed. If you are in an education program — and about half of Riverside GAIN participants are — you are not marking time, as you can in some locations. You know that if you do not complete the program, or at least make progress in it, staff who are closely monitoring your progress will insist that you look for a job.



The Riverside program simultaneously included a number of features:

- Priority on the JOBS program by the most senior officials in the agency.
- A strong commitment and adequate resources to serve the full mandatory population (not just those who volunteer or appear to be more job-ready).
- A pervasive emphasis on getting a job quickly, even a job that is relatively low-paying and even for people placed in education and training activities.
- A mixed strategy, emphasizing structured job search ("job clubs"), but also making substantial use of basic education.
- The active use of job developers to establish a close link to private sector employers and to help recipients locate work.
- A willingness to use sanctions (i.e., grant cuts) to enforce the participation mandate.
- A cost-conscious management style, reflecting a recognition that time is money and that moving people quickly toward the goal of employment will increase the program's cost-effectiveness.
- An outcome-focused management style, including job placement standards for case managers.

#### Can You Replicate the Riverside Results? Can You Do Better?

At this time, it is unclear whether Riverside's success can be replicated in diverse communities around the country, particularly in inner-city areas. The average JOBS program lags far behind and will have to change considerably to deliver on the program's potential. However, it is clear that the techniques used — and the economic conditions — were not so exotic as to suggest that other localities could not adapt them to strengthen their own programs. Indeed, other programs that have been or are being evaluated — SWIM in San Diego, the Center for Employment Training (CET) in San Jose, several of the sites in the national JOBS evaluation — appear to be successfully using some of the same techniques.

If the rest of the nation's JOBS programs could attain similar results — an objective that the nation's governors appear eager to pursue — the welfare-to-work bargain that has been the cornerstone of the new welfare compromise would indeed achieve a transformation of welfare. Moreover, a number of factors might further improve JOBS effectiveness: if the financial incentives facing welfare recipients were more pro-work; if there were a different balance of services; if there were more assistance to people once they began work in order to reduce the high rate at which they quit or lose their jobs and return to welfare; or if it were clear that, after a certain period of time, people still on welfare would have to work for their benefits.

#### How Much Should Programs Emphasize Education and Training Versus Quick Job Placement?

One's judgment about the success or failure of any particular JOBS strategy depends in large part on one's goals for welfare reform. Thus, what the appropriate balance is between building human capital and emphasizing quick employment depends on what one hopes to get out of JOBS.

During the 1980s, under the WIN program, most states ran low-cost programs requiring mothers to look for a job and, in some cases, work for their benefits in workfare positions. In addition to reinforcing the social values of work and self-sufficiency — an overarching purpose of all work-focused mandates — the primary goals were to get people into jobs quickly and to reduce welfare costs. Numerous studies indicate that structured job search programs met these goals, but only to a modest extent. They clearly got more people working, and working sooner, and they saved taxpayers money. But they did not get people into jobs that paid better than those they would have found on their own. Nor, critically, did they increase the self-sufficiency of long-term welfare recipients — the people on whom the most is spent.

The JOBS program included job search and workfare, but went beyond this to emphasize the use of education and training. These more costly services were intended to make longer-term recipients more employable and to pave the way to higher-paying jobs that might more readily move people off welfare, thereby saving taxpayers money in the long run and reducing poverty. All JOBS programs involve a *mixed strategy* — some education and training and some job search — but they vary in the degree to which they emphasize an immediate push to employment or an investment in developing human capital.

There are no completed studies that isolate the success of basic education or vocational skills training in the context of a mandatory JOBS program. But the GAIN study of six California counties provides some lessons. It shows that there was no clear link between the extent to which a county required people to spend time in basic education and the extent to which their academic skills improved (as measured by standardized tests) or their earnings increased. Yet it is hard to think that the extensive use of basic education in Riverside did not play some role in explaining why that program did so much better, particularly for long-term recipients, than the work-focused, job-search-only programs of the 1980s. Even if the education provided did not improve test scores, it may have had an indirect effect on people's self-confidence and unmeasured skills, factors that made subsequent job search services more effective. Findings from Alameda County (including the city of Oakland) and an earlier study in Baltimore suggest that heavy use of vocational skills training may be one reason these programs got some people better jobs or had longer-lasting earnings impacts. These same two studies also showed that, in contrast to job search (where most of the benefits go to taxpayers), most of the benefits of training go to the trainees, and budget savings are less likely to offset the investment in services.

In summary, the available findings suggest that there are trade-offs along the continuum from an essentially job search/job club program, to one that emphasizes quick employment but also includes some education and training, to one that includes some job search but emphasizes education and training, with a goal of getting people into higher-wage jobs.

Job clubs get people into employment quickly and save taxpayers money, but do not get people into jobs with higher wages than those they would have found on their own, or succeed with the more disadvantaged. Programs focused on getting people higher-wage jobs cost taxpayers money, but can increase job quality and may make a greater long-term difference in the earnings of some recipients. Programs that favor quick employment but also include some human capital development services can combine the benefits of both strategies: They can make welfare recipients somewhat better off, save taxpayers money, and change the employment behavior of some of the more disadvantaged recipients.

The extent to which a program succeeds and is cost-effective, however, depends not only on the mix of services, but also on the quality of implementation. Spending a lot is not enough to assure success; spending a little is not enough to assure savings. Managing resources (recognizing that time is money) is central, no matter what the program's goals. In Riverside, managing for success meant providing a range of services but having one clear goal, controlling costs, and stressing performance in all activities.

While cost-conscious management can pay off, the research also provides a clear warning against spreading program resources very thin, as can happen, for example, in environments where hard-pressed administrators have to stretch limited resources over increasing numbers of welfare recipients. There is a threshold of resources below which a mandatory program may produce small welfare savings (through sanctions and the "hassle factor") but is unlikely to increase people's employment and earnings.

#### **What Do We Know About the Feasibility and Effectiveness of Work-for-Benefits ("Workfare") Programs?**

Some of the current reform proposals call for large-scale, work-for-benefits programs (usually referred to as "workfare"), either as a substitute for JOBS' other activities or for people who have not found work despite two years of access to work-directed services. Hard knowledge about workfare programs is limited and comes mostly from studies of small-scale programs implemented during the 1980s. These show a mixed record.

On the positive side, the studies suggest that it is feasible to get people to work for their grants, that they view work assignments as fair, and that they do real work. Furthermore, the value of the work produced offsets the cost (approximately \$2000 to \$4000 annual cost per filled slot, excluding the cost of child care). Thus, such programs provided an alternative way to support children. On the other hand, repeatedly, states have had trouble developing large numbers of work sites and have found that some welfare recipients were unable to work, with the result that programs were almost always much smaller than anticipated. The very limited evidence that is available suggests that, under these conditions, mandatory unpaid work did not develop people's skills and did not prompt people to move more rapidly into unsubsidized employment or deter them from applying for welfare. It is possible that large-scale, universal, ongoing work requirements before or after a time limit might have a much larger effect on the rolls, but since this model has never been rigorously tested — with the exception of a program for men in West Virginia — its effectiveness remains unknown.

Since the workfare programs that were tested did not appear to reduce the welfare rolls, studies concluded that, in strictly budgetary terms — i.e., ignoring the value of the work performed — sending people a small check was probably cheaper than providing them with a non-market way to earn it. This is because free labor is not really free: It costs money to develop, manage, and monitor work sites, and to provide child care to people while they are working. Because of the high potential costs, some states structured the work obligation to limit the demand for child care by imposing only a three-month work obligation, setting the number of required hours of work per week to fit around the school schedule, or exempting mothers of preschool children.

While work-for-benefits programs may not save money, if they could be implemented at scale, they would be a means to deliver on the welfare-to-work strategy's potential for maintaining a safety net of funded support for children while sending a more socially acceptable, pro-work signal to parents. A recent Kaiser Family Foundation/Harvard University poll shows the public's strong support for such an outcome.

#### **How Many Welfare Recipients Cannot Reasonably Be Expected to Work?**

Finally, an inevitable question in discussions of welfare reform concerns the work potential of welfare recipients. Contrary to the stereotype, many recipients want to work and, in fact, do work. Some work while they are receiving AFDC, and many take jobs and leave AFDC. In the California evaluation, the majority (57 percent) of people in GAIN worked at some point during the three years after entering the program, and about two-thirds of them worked at least 30 hours per week in their most recent job. Moreover, the overwhelming majority of GAIN survey respondents who said that they were not employed but were looking for work reported that they were seeking a full-time job, a preference that was also noted in a recent report from the National JOBS Evaluation.

Even for those who are employable, however, studies also show that the road to self-sufficiency can have many detours and that "employability" is not a static condition. Setbacks are common. The GAIN study found that less than a third of people in the program were working at any given time, indicating a high rate of job turnover. Jobs ended when people quit (e.g., because of family crises) or because of layoffs, conflicts at the worksite, or a variety of other reasons typical in the low-wage employment sector.

But there is also a group on welfare who simply cannot work in unsubsidized jobs, either because of their very low skills, their lack of any experience with work, or their own or their children's chronic health or severe emotional problems (problems that, nonetheless, do not qualify the family for SSI). One study, the National Supported Work Demonstration, targeted very long-term recipients and showed that, with special assistance and in unusual settings, some people who would normally have been considered unemployable could in fact work. But creating the close supervision and somewhat protected work settings proved very expensive. Moreover, when the 12 or 18 months of transitional paid work ended, a substantial group of women who could get by in the sheltered program environment were not able to get or keep an unsubsidized job.

The number of people who cannot work, or who could work only with special support, is probably less than the quarter of JOBS eligibles who said in a survey that they could not participate at a particular point in time. But the group in question will constrain efforts to obtain very high rates of participation in work-related activities or workfare positions and will challenge administrators implementing time-limited welfare approaches.

#### **Conclusion**

For 30 years, Congress has responded to the public's clear desire to change welfare from a no-strings-attached entitlement to a transitional program that requires that many people on welfare participate in work-focused activities. This has proven difficult to do and, as a result, some are arguing that JOBS has not worked and should be discarded. This would be a serious mistake. Across the country, states and localities have moved along the road toward changing welfare and have put in place many of the building blocks of reform. Research on JOBS programs does not suggest that they offer miracle cures. But we do not have comparably reliable evidence of alternative approaches that work better than the nation's most promising JOBS programs in substituting earnings for welfare while saving money for taxpayers and continuing to provide a safety net for children whose parents cannot or will not work.

We now know that JOBS can succeed in changing welfare so that it feels more temporary and communicates different values. If welfare offices throughout the country were communicating the

same new message and having the same results, the public might have a very different view of legislators, administrators, and welfare recipients. They might think that reformers were finally getting serious.

But can communities throughout the country achieve this level of performance? The answer is not clear. Currently, average performers lag far behind and will have to change considerably for JOBS to deliver on its potential. But what is clear is that most communities have only begun to try, and that bridging this gap will not happen by putting JOBS on autopilot. There need to be more resources (to make the mandate real), stronger management, and commitment to a program that is more work-focused and mandatory.

There is clearly both a federal and state role in making this happen. There is a severe risk that we will not realize the potential of a welfare-to-work strategy because sufficient funds are not available. One way this might occur is if states have to make trade-offs on the use of a single pool of funds: i.e., spend them on maintaining welfare benefits, or on up-front investments in programs to get people off the rolls, or on mandated programs to keep them working while on. Thus, the federal funding structure will be key to promoting JOBS' expansion. But, beyond this, the federal government has a clear role in building state capacity. Doing this involves steps to identify models of excellence, to understand whether success can be replicated under diverse conditions, and to provide a decentralized welfare system with reliable evidence on how to improve program performance.

Finally, the federal government and the states both have a role in trying to alter the economic conditions — the combination of stagnant or declining wages and anti-work incentives built into the welfare system — that constrain the potential for success of current efforts to get welfare recipients to work.

While improvement is clearly possible, in providing leadership in welfare reform, the federal government and Congress face the challenge of avoiding overpromising on the success of the next round of reform. There are simply no easy solutions for poverty or welfare. Helping the public understand what level of change is attainable, and taking all the steps needed to make that occur, might break the cycle of cynicism that has resulted from past waves of reform. Instead of setting unrealistic goals and denouncing modest success as failure, setting realistic goals might help the public gain greater confidence in, rather than find a new reason to discredit, government.

Table 1

**Findings from the GAIN Evaluation:  
AFDC Single Parents with Children Age 6 or Older**

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<i>Results, Based on Three Years of Follow-Up</i>				
	People Enrolled in GAIN	People Not Enrolled in GAIN	Difference (i.e., GAIN's Effect)	Percentage Change
Ever employed over the 3 years (%)				
All six counties	57	51	6	12%
Riverside County	67	53	14	26%
Average earnings over the 3 years (\$)				
All six counties	7,781	6,367	1,414	22%
Riverside County	9,448	6,335	3,113	49%
Average AFDC payments over the 3 years (\$)				
All six counties	14,464	15,426	-961	-6%
Riverside County	11,284	13,267	-1,983	-15%

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<i>Net Public Cost over Five Years per Person in GAIN (a)</i>	
All six counties	\$3,422
Riverside County	\$1,597

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<i>Five-Year Return to Government Budgets per Net Public Dollar Invested per Person in GAIN</i>	
All six counties	\$0.76 returned per net \$1 invested
Riverside County	\$2.84 returned per net \$1 invested

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(a) Net public cost is the difference between the average amount of public funds spent for employment-related services per person enrolled in GAIN and the average amount of public funds spent on such services for a comparable group of welfare recipients who were not enrolled in GAIN.

Mr. McCRERY [presiding]. Dr. Mead, if you don't mind, proceed with your testimony.

**STATEMENT OF LAWRENCE M. MEAD, WEINBERG VISITING PROFESSOR, WOODROW WILSON SCHOOL, PRINCETON UNIVERSITY, PRINCETON, NEW JERSEY**

Mr. MEAD. Thank you, Mr. Chairman.

It is a pleasure to testify in these hearings and also a pleasure to see Republicans in the majority for the first time in my experience.

I won't say much about the Republican proposals to time limit eligibility and also to curb eligibility for teen mothers. I think that these are matters about which we know little. We are not sure what the effects would be.

I would emphasize that this is not the way the public would prefer to reform welfare. As Judy has said, the public wants to combine assistance to the needy with requirements that adults function in return for support. That is how the public wants to reform welfare and I think the way they voted in November.

So the best way to reform welfare is to push forward with work requirements. I do think we know something about what these can achieve.

Now, recent discussions of these programs have emphasized that their effects are limited, which is true if one looks at the evaluations. And some conclude from this that there isn't much point in enforcing the work requirement across the board. But there is more evidence than people realize that work programs can actually restrain dependency. This is the issue that has come to the forefront.

I recently completed an analysis of the recent growth in welfare across the country. I was able to show that, actually, strong implementation of work programs reduces the growth in welfare in a State. The States that have been toughest about implementing work programs have actually reduced the amount by which welfare grew in the last 4 years.

So this is not a symbolic policy. It is a policy which has effects on reducing dependency. We are not just satisfying the work ethic; we are doing something to reduce dependency when we implement the JOBS Program effectively. And I urge Congress to push ahead with that task.

It has also been shown in other research that it is good for children if their mothers work, if they are disadvantaged. Although mothers have less time for their children, on balance the child benefits.

One study shows that welfare requirements like work tests actually reduce illegitimacy. One can show that mothers who have been subject to these have children out of wedlock less often than those who are not.

So, in fact, work requirements do more than satisfy the work ethic. They speak directly to the concerns raised about unwed pregnancy and growing dependency in America. However, to maximize these effects work programs have to have certain features, suggested by the evaluation of GAIN which Judy referred to.

The three key features that I find in my research are, first of all, high participation. You have to insist that people participate in the program. One way or another you have to enforce participation.

Second, you have to favor actual employment or looking for work over remediation. Education and training can be a part of these programs, but it appears to be counterproductive to put a lot of people in education and training before they are working. Better have them work first and then undertake education and training.

Third, there has to be tight administration. You have to follow up on people closely and make sure that they fulfill their requirements.

In a recent study of the JOBS Program in Wisconsin, I found that the most effective programs were those that minimized delay between a client going on welfare and becoming referred to the JOBS Program. Second, they enrolled a high proportion of recipients referred to JOBS rather than allowing them to drop out—that is, they got them to come in the door and join the program. They also placed high proportions of the participants in work-oriented activities. Motivational training, job search, and actual employment was crucial. And they enforced these rules with case managers who followed up on the clients closely.

It is procedures like these that allow high-performing programs in Wisconsin and elsewhere to achieve their effects. I think that is the thing that we ought to focus on in our reforms. In my testimony, I have a number of specific suggestions about how to achieve this kind of program.

There is tradeoff between investing in client skills and putting a lot of people to work in available jobs, but I don't think it is as great as is sometimes presented. The best way to improve employment in this population is simply to have people work. That does more for them than anything else. And if you include some education and training after people are working, you can also obtain better jobs for them, too.

But a program that focuses on better jobs first in advance of employment fails to achieve enough job placements. So a program that begins with work like Riverside or Kenosha County in Wisconsin is able to achieve all the goals of welfare reform, whereas one that begins with skills first and doesn't emphasize work usually fails to achieve either goal very well. So I say work first should be the general policy.

One of the conclusions I have drawn is that welfare reform is predominantly an administrative problem. The key problem is not so much to make new resources available to people or to spend money—although that is sometimes required—but rather to organize the lives of the recipients so that they reliably participate and actually go to work. I think the place we have to spend money is on staff to follow up on clients and make sure that they fulfill their assignments. That is more important than spending money on government jobs or training or child care, all the things that we usually hear talked about. The payoff there is not very great, but the payoff to administrators who follow up on people is large.

Let me say a word about the proposals that are part of the Republican plan to block grant welfare and the JOBS Program. I share Judy's view that to do this would put the JOBS Program at

risk and, in addition, would effectively mean the elimination of national standards in welfare employment. I think that would be a serious mistake.

These standards are a matter in which the public has the strongest possible interest. They want to see a national reform. This is not a matter which Congress should delegate to States, and to do that I think has serious political risks.

For one thing, it would allow big city welfare programs like New York, where I come from, to persist in habits which downplay employment to a point where they have 1 million people on the rolls in New York City. That is a scandal to which all Americans should be opposed, even if they don't live in New York. Congress has responsibility to take action against that.

At the same time, if you block grant welfare you will let conservative States with a history of treating the poor badly to begin to do so again. If you did that you might well give rise to a renewed welfare rights movement of the sort that led to the entitlement welfare we have today. That would be an equal error.

So we need to proceed against overinflated big city welfare programs by means of enforcing work; and, at the same time, we have to maintain national standards so that it doesn't look as if we are abandoning decent treatment of poor people in America. These are priorities that I think Congress should keep in mind.

In the end, welfare reform, as has been suggested by several Members' statements, involves a statement about citizenship. Welfare defines what you get and what you have to do for it if you are an American. It is one of the ways in which we operationalize what citizenship means. That matter is of the highest national importance. It is for Congress to make decisions about it rather than turning this over to the States.

[The prepared statement follows:]



**TESTIMONY OF LAWRENCE M. MEAD  
PRINCETON UNIVERSITY, PRINCETON, N.J.**

I am a Professor of Politics at New York University and, currently, a visiting professor at the Woodrow Wilson School at Princeton University. I have been researching and writing about welfare, welfare reform, and welfare employment programs for almost twenty years.

I am very pleased to testify in these crucial hearings on the future of welfare in America. I am delighted to see the Republicans in the seats of power in Congress for the first time in forty years. This presents them new challenges. For the first time since welfare became a national issue, they get to ask what kind of welfare they want. What should a Republican reform of welfare mean?

The proposals of House Republicans combine cuts in welfare's generosity with tougher work requirements. I believe the work provisions are the sounder. While many Republicans want simply to cut back welfare, I would prefer to use it for conservative ends, in this case to enforce work. To do this suits public opinion, and it also may be the best way to reduce dependency. More than most people realize, work programs have already restrained the growth in welfare. Current welfare work programs, however, must be changed so that they enforce work more effectively.

REPUBLICAN PROPOSALS

The Republican Contract with America includes a Personal Responsibility Act with these main provisions:<sup>1</sup>

- Eligibility limits: Unwed mothers under 18 are denied benefits under Aid to Families with Dependent Children (AFDC). States may raise the age of eligibility to 19, 20, or 21. States would use the savings to make other provision for families denied aid, such as group homes.
- Time limits: Recipients on the rolls over two years must be working to retain aid. States may end eligibility for an individual or family after two years on AFDC, provided one year was spent in a work program. They must end eligibility, with or without work, at five years.
- No entitlement: Federal spending for AFDC, welfare work programs, SSI, and public housing would be capped, with some adjustment for inflation and growth in the poverty population. These benefits would no longer be provided to all eligibles as of right.
- Work requirements: States must establish training and mandatory work programs that require recipients to work or look for work 35 hours a week. Starting in 1996, 2 percent of all welfare adults must be working in these programs, rising to 50 percent in 2003.

Welfare needs radical change. The proposed eligibility cuts and time limits are certainly radical. It may be worth enacting them simply for this reason. But I have two cautions. First, we know very little about the effects of such changes. Opponents say children and poor families will be hurt, but that depends on whether they find other means of support, as many can do. Proponents say that cuts would reduce dependency by abating the incentive that welfare now creates to have children out of wedlock. However, that effect would probably be small, since the incidence of illegitimacy has only a weak tie to welfare benefit levels.<sup>2</sup> Perhaps a total end to eligibility for young unwed mothers would have larger effects. I doubt it, since the sexual behavior of such women is not based on any rational calculus of costs and benefits. To have children young and outside of marriage is already devastating to one's prospects in life, even with welfare as it is; to end aid would increase that cost only slightly.

There is less reason to think that time limits would deter illegitimacy. To the disadvantaged teens most at risk of dependency, two years is an eternity. The distant knowledge that one cannot draw aid forever is unlikely to deter them from the risky sexual behavior that now gets them in trouble. Far better to change the nature of welfare so that the recipients have to work as soon as they go on aid.

My second caution is that eligibility cuts and time limits conflict with public opinion. According to polls, most Americans oppose ending aid if it would mean taking children away from mothers. And while a majority support a two-year limit on aid, they do so only if it is clear that the recipients could support themselves by working. Indeed, if the recipients work, most people feel that aid need not be time-limited. In general, the public would prefer to turn welfare into a work program rather than cut it back. While cuts would save money, most people are

<sup>1</sup> Ed Gillespie and Bob Schellhas, *Contract with America: The Bold Plan by Rep. Newt Gingrich, Rep. Dick Armey and the House Republicans to Change the Nation* (New York: Times Books, 1994), pp. 65-77.

<sup>2</sup> Robert Moffitt, "Incentives Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature* 30 (1992): 1-61.

prepared to spend additional money on welfare provided the adults would really be required to work.<sup>3</sup>

None of this means the Republican proposals are mistaken. Government may need to underline the value of personal responsibility even if the deterrent effect is doubtful. Most states have capital punishment because people feel it is justified for heinous offenses, even though one cannot show that it deters crime. Sometimes government has to lead public opinion rather than following it. I only say that if government cuts or time-limits welfare, it should realize that the main effect probably will be symbolic. Congress should not expect sharp improvements in the social problem, and it should expect opposition from some voters and well as advocacy groups.

The effect of unentitling welfare is even less certain. Since funding for welfare and other programs slated to be unentitled would still increase with inflation and the poverty population, it is unclear whether any needs now covered would not be met in future. Even if money were to run out with needs unmet, Congress might well vote supplementary funds, which would mean that welfare remained an entitlement in practice. Food Stamps, after all, is technically not an entitlement, yet Congress always ensures that it is fully funded. Most likely, an unentitled AFDC would be too.

### WORK REQUIREMENTS

To demand that adult recipients work is, in general, a better way to reform welfare. It is more consistent with public values. Studies show that most Americans combine a desire to help the needy with opposition to the disorders associated with welfare, especially unwed pregnancy and nonwork by welfare adults. People want to help families in distress provided the adults show that they are "deserving" by demonstrating a willingness to work. Voters endorse the idea of social contract--of demanding obligations such as work from the able-bodied *in return* for aid. This ideal has animated most welfare reform thinking for the last decade.<sup>4</sup>

Traditional liberal ideas of welfare reform gave the needy more benefits without expecting good behavior from them. The current Republican proposals would deny aid to some people now covered. The first course offends the demanding side of the public mind, the second the generous side. The attraction of work tests is that they promote employment without compromising the principle of aid. When welfare is reformed this way--and only this way--both sides of the public mind are content.

But can welfare employment programs actually cause people to work? The usual view is that they have only marginal effects. Evaluations show that they raise the employment and earnings of their clients by from 11 to 43 percent compared to equivalent recipients not in the program, but only small reductions in dependency result.<sup>5</sup> Liberals conclude that there is little point in making recipients work. Some conservatives conclude that the effect of work requirements is only symbolic, that government must do something more drastic--such as ending welfare or putting poor children in institutions--if it is to turn around the wave of illegitimacy and crime engulfing poor families.<sup>6</sup>

I think the effect of work programs has been underestimated. I recently analyzed the determinants of the growth in state AFDC caseloads between 1989 and 1993. Much of that growth was driven by rising unwed births and the economic recession of those years. The same period, however, saw the implementation of the Job Opportunities and Basic Skills Training Program, or JOBS, the welfare work program mandated by the Family Support Act (FSA) of 1988. JOBS was a major force restraining caseload growth in the states that implemented it firmly. According to my estimate, AFDC growth in the average state over 1989-93 was reduced by:

- Almost a percentage point for every percent of welfare adults that a state had active in the JOBS program in 1991.
- Almost another point for every percent by which that active share rose during 1991-3.
- Two-fifths of a point for every percent of welfare adults that a state found to be employable and hence mandatory for JOBS.

<sup>3</sup> Maureen Dowd, "Americans Like G.O.P. Agenda But Split on How to Reach Goals," *New York Times*, December 15, 1994, p. A24; Richard Lacayo, "Down on the Downtrodden," *Time*, December 19, 1995, p. 32; Peter G. Gosselin, "GOP Returns to Hard Line on Welfare," *Boston Globe*, January 14, 1995, p. 6.

<sup>4</sup> Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: Free Press, 1986).

<sup>5</sup> Judith M. Gueron and Edward Pauly, with Cameron M. Lougy, *From Welfare to Work* (New York: Russell Sage Foundation, 1991), pp. 26-30.

<sup>6</sup> James Q. Wilson, "What To Do About Crime," *Commentary*, September 1994, pp. 25-34.; Charles Murray, "What To Do About Welfare," *Commentary*, December 1994, pp. 33-4; Myron Magnet, "Putting Children First: A New Direction for Welfare Reform," *City Journal* 4, no. 3 (Summer 1994): 47-53.

A tough JOBS program appears to be one reason why Wisconsin has reduced its welfare rolls, despite generous welfare benefits.<sup>7</sup> Very likely, JOBS has operated to restrain welfare growth nationwide.

Work programs also have positive effects at the level of the individual. It is good for the development of low-income children if their mothers work, notwithstanding the loss of childrearing time,<sup>8</sup> and JOBS causes more welfare mothers to work. Welfare requirements like JOBS have even been shown to reduce unwed childbearing,<sup>9</sup> the very problem that critics of work policies emphasize.

Also, the evaluations of work programs ask mainly how much economic gain they produce. The public wants welfare adults to work mainly to affirm the moral value of effort, whether or not there are economic gains. From this viewpoint, the main goal of reform is simply to raise the level of activity among the adults--the share that are working, looking for work, or preparing for work in some way. This the programs achieve. When experimental work programs of the 1980s were evaluated, and recipients subject to them were found to be working, looking for work, or engaged in education or training at *at least twice the rate* of equivalent clients subject to earlier programs.<sup>10</sup> Under FSA, the share of recipients active in JOBS is supposed to be 20 percent on a monthly basis in 1995, a level that sounds low but is a vast increase over earlier policy.<sup>11</sup> The gain in sheer activity would be invaluable even if there were no impacts on employment or dependency at all.

### HIGH-PERFORMING WORK PROGRAMS

However, to maximize such effects, research suggests, welfare employment programs must emphasize:

- High participation. As many of the employable as possible must participate actively in the program, not simply sign up.
- Actual work or looking for work, as against education or training in advance of employment.
- Tight administration, with expectations made clear to clients when they enter the program and a willingness to sanction those who drop out.<sup>12</sup>

In a recent study of JOBS in Wisconsin in 1993, I found that the highest-performing counties were those that:

- Minimized the delay between a client going on welfare and being referred to JOBS.
- Enrolled high proportions of recipients referred to JOBS, not allowing them to drop out.
- Placed high proportions of participants in motivational training and job search.
- Downplayed education and training in advance of work.
- Enforced these rules with case managers who followed up on clients closely.
- Minimized the use of government jobs.

In Kenosha County, the most exemplary program in the state, over a third of the caseload is already working while still on welfare, and participants were not normally allowed to undertake education or training except while working part-time. Yet because of its high enrollment, the program still has more clients in remediation than lower-performing counties.

In Wisconsin, among counties I visited, the high performers in job entries also did well on job quality. This is because for the disadvantaged, simply working at available jobs is usually worth more in getting a better job than education or training. Most welfare recipients have done too poorly in school to improve their skills much in the classroom. Employers are more likely to impress with a steady work history, even if it is in low-paying positions. There is also some reason to think that people profit more from training after they are working than before--because

<sup>7</sup> Lawrence M. Mead, "The New Paternalism in Action: Welfare Reform in Wisconsin" (Milwaukee: Wisconsin Policy Research Institute, January 1995).

<sup>8</sup> Deborah Lowe Vandell and Janaki Ramanan, "Effects of Early and Recent Maternal Employment on Children from Low-Income Families," *Child Development* 63 (1992): 938-49.

<sup>9</sup> Robert D. Plotnick, "Welfare and Out-of-Wedlock Childbearing: Evidence from the 1980s," *Journal of Marriage and the Family* 52 (August 1990): 735-46.

<sup>10</sup> Lawrence M. Mead, *The New Politics of Poverty: The Nonworking Poor in America* (New York: Basic Books, 1992), pp. 167-8.

<sup>11</sup> *Ibid.*, p. 177.

<sup>12</sup> Lawrence M. Mead, "Should Welfare Be Mandatory? What Research Says," *Journal of Policy Analysis and Management* 9, no. 3 (Summer 1990): 400-4; *idem*, "The Potential for Work Enforcement: A Study of WTN," *Journal of Policy Analysis and Management* 7, no. 2 (Winter 1988): 264-88.

they see the skills they need to move ahead. Kenosha successfully combines work and remediation by demanding that clients seek work up front, then allowing them to study or train once they were working part-time.<sup>13</sup>

Most analysts say that JOBS must choose between placing many people in available jobs and training them for better ones. The first course gets people working, but only the second can get them permanently off welfare.<sup>14</sup> It is true that programs that place more clients in jobs achieve marginally worse rates of pay and retention in these jobs than programs that do not stress work, but the effects are weak alongside the power of work demands to generate sheer numbers of job entries. Work-oriented Kenosha achieves both job quantity and quality, but programs that aim at "better" jobs have no comparable power to achieve job entries. In California, work-oriented Riverside outperforms by most measures Alameda and Los Angeles, which have spent more on education and training.<sup>15</sup>

The main point of work programs is to make welfare less permissive, but it also clear that such programs save money. It is said that welfare reform must cost more than welfare does now. But this is true only if, as in the Clinton reform plan, one spends unnecessary sums on public jobs, training, or child care. Efficient programs such as Riverside stress placement in available jobs with a minimum of extras. They save vast sums of money *as well as* performing better than skills-oriented programs.

### IMPROVING WORK PROGRAMS

In JOBS, regulations demand that clients be assigned activities at least half-time and attend 75 percent of their assigned hours to be counted as participants. That level of effort seems practicable. However, for purposes of calculating state participation rates, the base is only the employable adults, who are 44 percent of all welfare adults, and a state may include recipients participating less than 20 hours provided the average is 20. By the official measure, the average state participation rate was 23 percent in 1993, but the average rate of all welfare adults meeting the official participation standard was only 10 percent.<sup>16</sup> The standard for state participation is too low. FSA mandates 20 percent on a monthly basis in 1995, which is well below the potential of JOBS. While the average state participation rate was 23 percent in 1993, Kenosha achieved 50 percent as early as 1990.<sup>17</sup>

The form of participation is also undemanding. FSA stipulates that recipients be assessed for employability prior to looking for work, does not mandate up-front job search, and creates presumptions that welfare mothers under 20 who have not completed high school will be put in educational activities in preference to work, even if they have dropped out of school. Partly for these reasons, JOBS programs in some states has diverted many recipients into remediation before they ever sought work and has spent massively on education and training with little to show for it.

The Clinton proposal would raise the participation floor in JOBS to 50 percent using the existing participation measure, much its most constructive provision. However, it seeks mainly to limit the time recipients can draw aid without working to two years. What if anything the recipients would have to do before two years is left largely to states, so the connection of work and welfare remains loose. The Clinton plan says that the "job-ready" must look for work up front, but who is job-ready is left to the states. The big cities could go on allowing vast numbers to pursue higher credentials, usually to little good, in place of working. The plan also exempts recipients born before 1972. Despite tough rhetoric about "ending welfare as we know it," Clinton would not change the aid by entitlement that most recipients now enjoy.

The Republican Personal Responsibility Act demands more actual work, but it does not do so in the most effective way. It would effectively disestablish the JOBS program, which, with all its limitations, is still the best work program welfare has had. States would be required to have some sort of welfare employment program, but no standards would be set for it. The main reliance for enforcing work is instead placed on a separate mandatory work program, which would require its participants to work in the private sector or in some form of government or subsidized employment. But even as it is, JOBS has put considerable pressure on big-city welfare departments to get serious about employment. Above all, reform should keep that pressure on, not shift to some new structure that would disrupt the implementation process.

The participation rate of 50 percent demanded by 2003 is defined on a basis of all welfare adults, not just the "employable," an improvement. But only actual work counts as participation, not other activities. And participation requires 35 hours of effort a week, not the current 20 hours. Fifty percent participation is probably too tough for states unless nonwork activities are

<sup>13</sup> Mead, "Potential for Work Enforcement," and Mead, "New Paternalism in Action."

<sup>14</sup> Gueron and Pauly, *From Welfare to Work*.

<sup>15</sup> James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: Manpower Demonstration Research Corporation, September 1994).

<sup>16</sup> Calculated from JOBS performance data for 1993 from the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance.

<sup>17</sup> Michael Wiseman, "Sample Family Support Act Job Opportunity and Basic Skills Training (JOBS) Participation Data (Revised)" (Madison: University of Wisconsin--Madison, La Follette Institute of Public Affairs, November 24, 1991).

allowed to count, and 35 hours is too tough for welfare mothers. Some compromise must be made with their family responsibilities. Such requirements would probably be evaded. To transform welfare, it is vastly more vital to raise the share of recipients who face some requirement than to get full-time work out of a few.

Both the Clinton and Republican plans focus too much on time-limiting aid, either absolutely or aid without work. I doubt it is possible literally to limit aid to some length of time. Inherently, single mothers must have difficulty supporting themselves. A majority of welfare mothers could probably get off welfare if they worked full-time,<sup>18</sup> but that is more than government can expect. If one insists on ending welfare after some interval, one will inevitably have to provide aid in some other form.

The goal should be, not to limit aid in time, but to change its nature, so that the employable reliably had to work at least part-time in return for their support. Simply require that recipients work or look for work as soon as they go on welfare. Those who claimed not to be employable would have to demonstrate incapacity and thus leaving AFDC for the disability programs. Faced with such demands, a great many recipients probably would work enough to leave welfare, but just as important, welfare for the rest would become less passive.

Both plans seek to enforce a time limit by guaranteeing work, but a guarantee is impracticable. The Clinton plan can do so only by exempting much of the caseload and providing government jobs to the rest, at great expense. The Republican work program would not be limited to public jobs, but states would still have to guarantee work to recipients for a year if eligibility were time-limited before five years. The difficulty of doing that would make it tough to enforce work *on* welfare as the public wants. Better to require the employable, not literally to work, but to work *or* look for work, both of which involve serious demands. This way, employment is not strictly required, but neither must it be guaranteed, and the pitfalls of large-scale government jobs are avoided. No doubt, it would be difficult to send large numbers of recipients out looking for jobs and monitor their compliance, but I judge from talking to JOBS staff, that this is easier than running a vast public jobs network.

#### IMPROVEMENTS IN JOBS

I would make the following changes in JOBS, and to achieve these should be the main goals of the current round of reform. For state programs I would:

- Reduce the time permitted between initial receipt of welfare and the referral of adults to JOBS to no more than a month.
- Eliminate up-front assessment and replace it with mandatory up-front job search for all adult recipients other than teen mothers still in school. Those failing to find work might eventually be assessed, but they would have to keep looking for work.
- Change the participation measure to the percent of all welfare adults active in JOBS and raise the general participation floor to 50 percent, with several years of phase-in, but allow remediation activities as well as actual work or work search to count as participation.
- Set a parallel requirement that 33 percent of recipients be working in a given month at least half-time, in either public or private jobs, again with several years of phase-in.
- Develop other performance measures for the quantity and quality of the jobs achieved through JOBS., to create incentives for states to get recipients entirely off welfare.

For recipients, I would:

- Require that they work or look for work half-time for as long as they are on welfare. The only alternative for those seeking aid would be to establish eligibility for disability.
- Impose this requirement as soon as mothers went on welfare in most cases. I would allow a grace period of six months for mothers who were widowed, divorced, or separated, but not *unwed mothers*. Mothers with children under 1 would face a community service requirement less demanding than actual work, but it would still be half-time.
- Allow education or training for better jobs, but only for those working at least half-time.
- Strengthen the sanction for noncompliance with JOBS to the termination of the entire welfare grant, as for other welfare offenses, not just the offender's share of the grant.

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<sup>18</sup> Charles Michalopoulos and Irwin Garfinkel, "Reducing the Welfare Dependence and Poverty of Single Mothers By Means of Earnings and Child Support: Wishful Thinking and Realistic Possibility" (Madison: University of Wisconsin, Institute for Research on Poverty, August 1989).

### A REPUBLICAN WELFARE POLICY

I am uncomfortable with dismantling national standards for welfare to the extent House Republicans propose. I do not see a mandate in the recent election to do this. The voters asked to make government more responsive and more functional, not to devolve it to the local level. To improve welfare, I believe, requires changing the federal role, not abandoning it.

The devolution of welfare would not serve conservative values as much as some Republicans think. Permissive versions of welfare are entrenched in a number of states and cities, most notably New York. To eliminate national standards, even to curb funding, would not end this liberal welfare, but perpetuate it, albeit with less federal support. Perhaps remaking welfare locally is the responsibility of states, but the voters have failed to achieve that in New York, due to liberal lobby groups, an impacted bureaucracy, and the influence of liberal politicians entrenched in the legislature.<sup>19</sup> To judge from opinion studies, Albany continues to fund welfare policies that are probably more lavish and certainly more permissive than New Yorkers want.<sup>20</sup> I doubt even the election of a Republican governor can change this. Much the same appears to be true in California, Massachusetts, and other affluent states.

To change welfare, ordinary New Yorkers need help from Washington--the sort of tough new standards I have recommended. Republicans are too used to thinking that federal domestic policies must inevitably be liberal. The GOP has held the White House for most of the last generation, and has achieved growing power in Congress. While the whole government has not yet fallen into Republican hands, it is twenty five years since federal social policy was unambiguously liberal. Many Democrats are starting to think that, as national policies have turned to the right, their best chance of preserving a liberal social policy may now be at the state and local level.

The nation may be returning to the situation at the beginning of the century, when Republicans also ruled Washington and the Progressive movement worked to expand social programs mainly in states and cities. The welfare state expanded from the local level to the nation only when Democrats took over Washington in 1932. Now that Republicans again hold national power, they should use it to chasten the overblown welfare systems that still exist in liberal states--not to take the heat off by getting rid of national welfare policy.

Our current entitlement welfare is the product of the welfare rights movement of the 1960s, which opposed the highly discretionary welfare that existed before that time. Welfare advocates could make the case that conservative states, especially in the South, allowed social workers to decide for themselves what a single mother had to do to get aid, without a clear warrant from the public. That movement has been in retreat for twenty years. If anything could refire it, it would be the abandonment of national welfare standards, leading to a renewed perception that localities were treating the needy invidiously, without a mandate from the people.

In practical ways, much of the implementation of a national welfare policy can be devolved to localities, and to nonprofit and even proprietary as well as government agencies. To do that is part of what "reinventing government" requires.<sup>21</sup> It is the standards, not the administration, of welfare that must be national. It is by changing these rules, above all, that Washington can turn welfare into a work program, which is what Americans want.

Decisions about who is eligible for aid and what they must do for it are not obscure matters beneath the notice of Washington, like where to put a post office or how much to spend on local schools. They express part of what one gets and gives by being an American. They amount to an operational definition of citizenship. Requirements like work tests enforce the common obligations that, as much as common rights, constitute what Americans understand as equality.<sup>22</sup> Decisions about such norms must be national. Americans, to judge from polls, want to help the needy wherever they live, not only in their own communities. In return, they want these needy to adhere to common civilities, such as work, wherever they live. Americans must have a practical and a moral objection to the fact that a million people subsist on welfare in New York City, even if they do not live there. To express this sort of popular will, a national welfare policy is indispensable.

The stakes are ultimately spiritual. The religious traditions of Americans, though diverse as to creed, agree that the individual is a child of God. From that follows immeasurable dignities and responsibilities, even beyond those of citizenship. Americans are called by their Creator to live out meaningful lives, obeying timeless principles and fulfilling their personal destinies. Welfare policy cannot express ultimate beliefs, but it must embody an image of the individual that is at least consistent with this heritage. It must *honor the person*.<sup>23</sup> Not to expect people to

<sup>19</sup> Lawrence M. Mead, "Kicking New York's Dependency Habit," *City Journal*, vol. 1, no. 4 (Summer 1991): 41-9.

<sup>20</sup> Richard J. Behn and Douglas Muzzio, *Empire State Survey: New Yorkers on the Limits of Welfare* (New York: Empire Foundation and Lehrman Institute, 1994).

<sup>21</sup> David E. Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (Reading, MA: Addison-Wesley, 1992).

<sup>22</sup> Mead, *Beyond Entitlement*, chs. 10-11.

<sup>23</sup> Welfare Responsibility Project, *A New Vision for Welfare Reform* (Washington, DC: Center for Public Justice, 1994).

function in minimal ways in return for support is deeply to *dishonor* them. The nation can express such convictions only if a national welfare policy endures.

A division lies at the heart of conservatism. Does one question government, or use it for conservative ends? Traditionally, Republicans have opposed federal power, seeking to free society and the economy from unjustified constraints. As long as the national government was liberal, to do this was only prudent. But now that liberalism is in retreat, antigovernment conservatism squanders an opportunity. The leading challenge of America today no longer is to preserve the free economy, crucial though that is. Rather, it is to defend order against the social problems linked to the seriously poor--crime, school failure, drug addiction, as well as dependency. Ordinary Americans want values such as the work ethic and law-abidingness upheld by public as well as private authorities. When they say they want government to work better, this above all is what they mean.

Accordingly, it is time for Republicans to claim the other half of their tradition--to use national power as appropriate to uphold social values. In doing this, they follow the great governmental conservatives in their own past--Alexander Hamilton, Abraham Lincoln, Theodore Roosevelt. Even Ronald Reagan used government as well as curbing its pretensions. It was Reagan, and after him George Bush, who are chiefly responsible for the welfare employment programs we have today, which still afford our best hope of transforming welfare. The way forward in welfare is to continue that reform tradition, and not to abandon it.

Mr. MCCRERY. Thank you, Mr. Mead.  
Ms. Herr.

**STATEMENT OF TOBY HERR, FOUNDER AND DIRECTOR,  
PROJECT MATCH; AND SENIOR RESEARCH ASSOCIATE,  
ERIKSON INSTITUTE, CHICAGO, ILLINOIS**

Ms. HERR. Thank you for inviting me to testify.

I agree with Lawrence Mead that immediate followup and ongoing monitoring related to participation is absolutely critical, and that does not occur right now.

I believe that legislators need to make a choice—either create a one-size-fits-all system with very strict work requirements—35 hours per week of employment—that is likely to exclude the majority of welfare recipients or they can acknowledge the heterogeneity of the welfare population and the need for flexibility and customization of employability plans so that all welfare recipients from day one can be making progress toward economic independence.

For real welfare reform to occur, Congress must address the needs of distinct groups of welfare recipients. To date, researchers examining welfare dynamics have identified three groups: Short termers, welfare cyclers, and continuous AFDC users. Project Match has identified a fourth group usually classified as welfare cyclers or continuous users. The first group, short termers, is estimated at about 40 percent of the welfare population. They enter or leave welfare within 2 years, and they never return. And even this group might have difficulty working 35 hours initially.

There is a second group estimated at 42 percent of welfare recipients, and they are referred to by most researchers as welfare cyclers. They get jobs, and they can keep them. They know the rules of the world of work. They can work for 8 months, 1 year or 2 years. And something happens, and they lose their job and then they fall back on welfare as a safety net until they can get back on their feet.

So the question is what supports that are not currently provided by the welfare system might be put in place to help this group stay in the work force. For this group, Project Match created what we have called postemployment services and that is help after people get their first job. Such services might include assistance to get a second, third, or fourth job very quickly, as soon as they lose their job. Other kinds of postemployment services include advancement assistance so that while people are working at entry level jobs they can get help to move to better jobs, help to apply for the earned income tax credit, and so forth.

There is a heretofore group that tends to get lumped with either the welfare cyclers or continuous users. Though we know little about this group, we believe it is a distinct group. Instead of cycling on and off of welfare, this is a group that cycles in and out of jobs. And in most cases they never really lose their welfare grant, but the grant seems to go up and down based on income as they move in and out of part-time and temporary jobs.

This is a particularly difficult group to work with, and I think they need elaborate postemployment services, and it is unclear what is going to keep this group in the work force.



Finally, there is a fourth group researchers refer to as the continuous AFDC users, and they are the least job-ready group. Some estimate this group to be about 18 percent. This is the group for whom a rigid time-limited system would be least successful in pushing them into the work force. Another fear is that this group will be considered unreachable, and they will be made exempt from participation, which is likely to lead to their further isolation from mainstream expectations.

This is the group for whom Project Match has created what we call lower rungs on the ladder so that there is a broadened array of activities which would be viewed as a legitimate effort toward becoming self-sufficient. These might include activities such as volunteering at their child's Head Start or school, or becoming a Scout leader. And for some parents it would include getting their children to school on time and getting them to extracurricular activities.

In closing, Project Match envisions a welfare plan in which it would be possible for all AFDC recipients from day one to participate and to make progress. Setbacks and failures would result in revised plans and easy-to-access, appropriate help. Fulfilling parental responsibility would play a significant role. And, most important, the stick would fall on those who fail to try to improve their lives and the lives of their families and communities rather than those who might experience difficulty in becoming self-supporting.

[The prepared statement and attachment follow:]

## TESTIMONY OF TOBY HERR PROJECT MATCH

### Members of the Subcommittee:

My name is Toby Herr. I am the founder and director of Project Match, a research and service welfare-to-work program. The testimony I am presenting is adapted from the paper "Lessons from Project Match for Welfare Reform," authored by my colleague, Dr. Robert Halpern of the Erikson Institute and myself, dated February, 1994.

*Sandra entered Project Match in 1986 as a nineteen-year-old single parent who had dropped out of high school when her baby was born. Initially she wanted help from Project Match to find a GED (high school equivalency) program. Over the next two years she enrolled in and dropped out of three GED programs and one for-profit training program (with a \$2,000 outstanding loan). She also got a job and quit it within three months.*

*Eventually Sandra began to stabilize her life. She moved out of Cabrini-Green and found a new group of friends. Project Match helped her find a part-time job at a downtown restaurant. She wanted to quit that job too, but her counselor convinced her that she needed to build a work history in order to obtain a better job. Sandra "hung in" for one year until, through a friend, she heard about an opening for a full-time unionized position paying \$5.00 per hour with benefits at a hospital.*

*Sandra has held the hospital job for more than three years and is now earning \$9.50 per hour. She has bought a car, moved to a nicer apartment, sends her son to a magnet school, and is off welfare. She still checks in with her Project Match counselor from time to time to brag about her son's grades or when she just needs a listening ear. While Project Match is very proud of Sandra - and still recognizes her employment milestones in its quarterly newsletter, The Independence - staff continue to encourage her to get a GED.*

We are concerned that current proposals for welfare reform do not adequately reflect what has been learned in the welfare-to-work field over the past twenty-five years. In this paper we focus on lessons from Project Match, as well as related research and program experience, which we think should inform the work of creating a transitional welfare system. We then propose an alternative model that we believe still captures the intent of current proposals and prevailing programs, but more realistically reflects what has been learned by us and others both about welfare recipients themselves, and about how to encourage and assist them in leaving welfare.

### I. WHAT IS PROJECT MATCH?

**Mission:** Since 1985, Project Match has operated an "urban lab" committed to working with people unlikely to succeed in the job market on their own. Its mission is twofold: (1) to provide long-term assistance to welfare-dependent families as they move through multiple career stages toward economic independence, and (2) to document and disseminate lessons learned about the process of leaving welfare and effective welfare-to-work strategies.

**Population Served:** To date, the program has worked with more than 750 residents of the Cabrini-Green community in Chicago, one of the most economically disadvantaged areas in the country. The majority of participants are African-American (99%), female (77%), and unmarried. Sixty percent were age 25 or younger at the time of enrollment. Only 55% came into the program with any work experience and more than half (58%) grew up in homes supported by welfare.

**History:** The program's primary service site is located at a health center, within walking distance of the Cabrini-Green housing development. Its most recent project, *The Two-Generation Head Start Self-Sufficiency* demonstration, originally funded by the U.S. Department of Health and Human Services, is located at a Head Start center in Cabrini-Green. The research component of the program, originally

part of Northwestern University, is now affiliated with the Erikson Institute of Chicago. In 1988, Project Match was a winner in the *Innovations in State and Local Government Awards* program of the Ford Foundation and Harvard University. Lessons from Project Match have been shared with a broad audience through research reports, conference presentations, site visits, technical assistance, and the media.

**Evolution of the Project Match Model:** The programmatic flexibility and operational independence of Project Match have allowed it to adopt a truly experimental approach – developing, testing, and refining strategies that seem promising, while eliminating those that prove ineffective. Linked to and feeding into its inductive approach to model development is an inductive approach to conceptualizing the process of leaving welfare for long-term recipients. Instead of presuming that it knows what people need to get off welfare, Project Match studies its participants' career histories month by month. From this process the Project Match model, with its commitment to *individualized services, as-needed assistance, and incremental progress*, has evolved.

**Going to Scale:** Based on Project Match's experiences, as well as findings from other studies, we believe that successful welfare reform will require *large-scale* customization. Project Match has created a tool for conceptualizing and operationalizing an *individualized, human development approach* to welfare reform. Because this tool, the "Incremental Ladder," has pulled into the welfare policy framework a broad range of activities and institutions not heretofore viewed as work force preparation, there would be an appropriate first step for every AFDC recipient. Therefore, as explained in Section III, every AFDC recipient, from the day he/she enters the system, would be *required and helped* to climb onto the ladder and to keep moving from step to step, making concrete, measurable progress toward economic independence.

## II. LESSONS FROM PROJECT MATCH AND OTHER PROGRAMS THAT HELP GROUND WELFARE REFORM

The Project Match model is grounded in the understanding that for many welfare recipients leaving welfare is an uneven, back and forth *process* – not a single *event*. This process is characterized by false starts, setbacks and incremental gains. The Project Match experience has yielded a number of lessons that are starting to be supported by other studies. These lessons include:

- **The importance of allowing for the option of work before school.**

Project Match's experience, as well as others',<sup>1</sup> suggests that for some recipients, particularly high school dropouts or high school graduates with low basic skills, participating in traditional education programs (e.g., GED programs) as a first step results in high dropout rates or lack of progress. For many Project Match participants, a more successful route begins with employment. Only after experiencing low-paying jobs with few prospects for advancement do many really understand the link between school and work, and choose to make a commitment to school. Such experiences suggest that AFDC recipients should not be forced to go to school when they want to work, nor prevented by lack of financial support from seeking more education when they desire it.

- **Job development, actively helping people locate and apply for jobs versus relying on independent job searches, moves people into the work force quickly.** There is increasing evidence that, regardless of conditions in a local labor market, many people need a formal mechanism such as job development to gain access to available jobs.<sup>2</sup> Such mechanisms become, in effect, "proxy

<sup>1</sup> "Rethinking Adult Education: Part Two," *Learning for Learning*, Center on Budget and Policy Priorities, Issue Brief 3, June 1993.

<sup>2</sup> For example, Manpower Demonstration Research Corporation's (MDRC) evaluation of California's GAIN program found that Riverside, the county with the strongest impacts, was also the county with

networks that can inform, socialize and vouch for employees in much the same way that social and ethnic networks do now."<sup>3</sup>

- **Losing initial jobs emerged as a major problem for Project Match** participants moving toward economic independence. Within 6 months after placement, 57% lost their first job; within 12 months, 70% lost their job.<sup>4</sup> Reasons for job loss range from the structure of jobs (e.g., temporary jobs with irregular hours) to employees' lack of familiarity with the world of work. Findings from other welfare-to-work programs such as JOBS also highlight the problem of early and rapid job turnover among welfare recipients.<sup>5</sup>
- **Providing post-placement follow-up assistance gets Project Match** participants who fail in their first placement back on track quickly. Within 3 months, 70% of those who lost their first job were either working again (77%) or enrolled in education or training programs (23%). Specifically, participants who remain active in the program after their first placement benefit from help in getting a second or third job, or advancing to a better job when they are ready.
- **A long-term, individualized approach yields gains** for many Project Match participants. One study examined the labor market gains made by 259 participants in the program for at least 3 years. It showed that participants' likelihood of employment increased by 47% between their first and third years of program participation. In the third month after enrollment, 38% of participants were working; at the end of 3 years, 56% were working. Project Match also found that participants' average wages increased by 23% between the first and third years of employment.<sup>6</sup>
- **For those who fail to make progress, options other than school or work may be valuable.** When Project Match examined the progress of individuals, rather than the total group, the outcomes were less optimistic. Approximately half of the participants who remained in the program for 3 to 5 years had made unsteady or no measurable progress.<sup>7</sup> This suggests that, for some, school or work is too big a first step and the road to economic independence must begin with more appropriate activities.

### III. IMPLICATIONS FOR WELFARE REFORM

#### A. Exits from Welfare Are Unpredictable and Nonlinear

The standard government welfare-to-work model, depicted as Model 1 on the following page, views leaving welfare as a predictable, linear experience that can be accomplished within a short time frame: a direct and straightforward progression in which an individual is initially on welfare but not working or in training, then participates in an education/training program or a job-readiness class, then enters employment and leaves AFDC, and then continues upward in the labor market without returning to welfare.

the strongest job development component. D. Friedlander, J. Riccio, and S. Freedman, *GAIN: Two-Year Impacts in Six Counties*, MDRC, 1993.

<sup>3</sup> Philip Kasintz, "The Real Jobs Problem," *Wall Street Journal*, November 26, 1993.

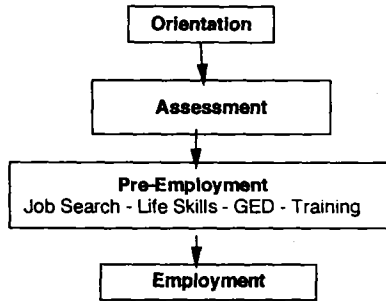
<sup>4</sup> Lynn Olson, Linnea Berg and Aimee Conrad, *High Job Turnover Among the Urban Poor: The Project Match Experience*, Center for Urban Affairs and Policy Research, Northwestern University, 1990.

<sup>5</sup> Mark Greenberg, *Welfare Reform on a Budget*, Center for Law and Social Policy, Washington, D.C., June 1992.

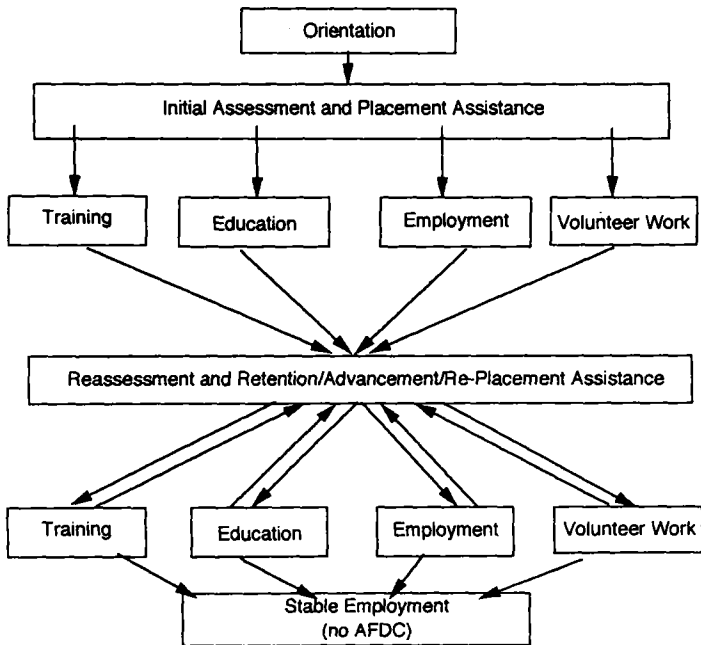
<sup>6</sup> Analysis by Lynn Olson, Ph.D., and Aimee Conrad, former research staff of Project Match.

<sup>7</sup> Toby Herr and Robert Halpern with Aimee Conrad, *Changing What Counts: Rethinking the Journey Out of Welfare*, Center for Urban Affairs and Policy Research, Northwestern University, 1990.

**Model 1**  
**Typical Welfare-to-Work Program Model**



**Model 2**  
**The Project Match, Individualized Service Model**



While this model reflects the behavior of many AFDC recipients (i.e., the group that is likely to leave welfare within two years and not return), data from programs that try to help people leave welfare and longitudinal data on patterns of welfare receipt suggest that a larger group than is usually acknowledged does not leave welfare in such a direct manner. An examination of welfare use dynamics among women ages 20 to 23 who were part of the National Longitudinal Survey for Youth found that, of the approximately 50% who left welfare for work, 40% returned within a year. Only 20% of the women who found work appeared to have left welfare permanently by the end of two years.<sup>8</sup> Findings from Riverside County, the most successful site of California's GAIN program, indicate that while two-thirds of experimental group members worked at some point during the first two years, only half of those (or one-third of the total experimental group) were working during the last quarter of the second year.<sup>9</sup>

The evidence from these two studies, as well as others, suggests that difficulty making a permanent attachment to the work force is *not* confined to a relatively small group of disadvantaged families (e.g., Project Match participants). Rather, there is a significant group (whom we refer to as the middle group) that cycles between welfare and work, *neither staying on welfare for lengthy spells nor leaving for good*. In other words, the majority of AFDC recipients will not leave welfare permanently with one job or within a two-year time period.

Model 2, set forth on the previous page, presents a more complicated view of leaving welfare and one that captures the dynamics of the Project Match model. This model allows people to move in and out of schools and jobs as they make gradual, but not necessarily linear, progress toward stable employment. Assistance is oriented to these different pathways and time frames. In contrast to the standard model, this model more accurately describes the *back and forth movement of the large middle group of AFDC recipients* – the group that is likely to leave welfare eventually but for whom the timing and nature of support needs have not been well mapped out. However, our experience suggests that even the more flexible welfare-to-work model (i.e., Model 2) is not likely to meet the needs of *a portion of the most disadvantaged* welfare recipients. For example, as stated earlier, approximately half of Project Match participants made little or no measurable progress over a three-to five-year period.

#### B. The "Incremental Ladder" Approach to Welfare Reform

Our concern about prevailing and proposed welfare-to-work policy has led us to create an alternative model, which we refer to as the "Incremental Ladder to Economic Independence." This model is based on two interrelated ideas:

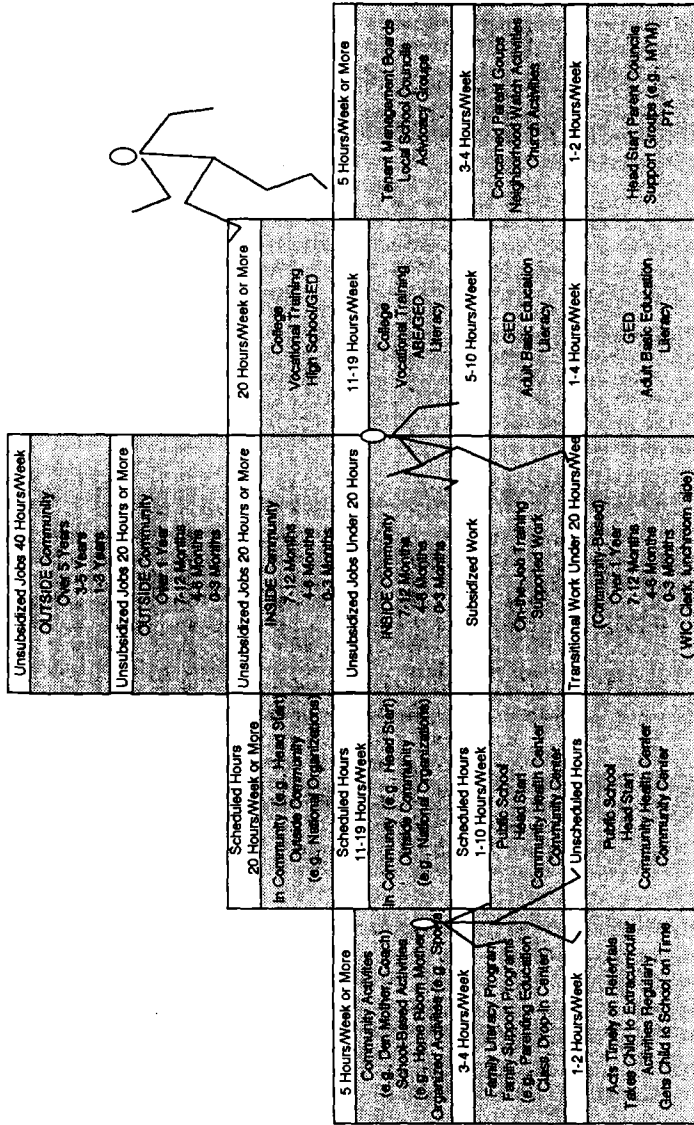
- 1) Everyone on AFDC (without exception and from the day he/she enters the welfare system) can and should be actively engaged in the interrelated processes of leaving welfare and improving the life of his/her family and community; and
- 2) These processes should occur within a flexible, individualized time frame, allowing for various combinations and sequences of activities.

The visual metaphor for the model, an incremental ladder (see ladder on the following page) captures the assumptions of this approach. It was created as a tool to help us envision leaving welfare as a nonlinear process that *cannot* be restricted to a particular time frame.

<sup>8</sup> LaDonna Pavetti, "Welfare to Work: Breaking the Cycle of Dependency," Research Bulletin, Malcolm Wiener Center for Social Policy, John F. Kennedy School of Government, Harvard University, Fall 1993.

<sup>9</sup> D. Friedlander, J. Riccio, and S. Freedman, *GAIN: Two-Year Impacts in Six Counties*, Manpower Demonstration Research Corporation, May 1993.

# Incremental Ladder to Economic Independence



—WELFARE DEPENDENCY—

A typical "employability plan" under JOBS (e.g., 20 hours of school and/or work) comprises the upper rungs of the ladder. If supports such as child care and transportation were available, the majority would start at this level. However, as stated earlier, a significant number of those who get placed in jobs quickly will lose them just as quickly. We believe that the key to keeping people from lapsing back either onto AFDC or into costly community service jobs will be *quick and nonbureaucratic access* to assistance for updating resumes, getting job leads, and, as necessary, obtaining help to understand what went wrong. These kinds of *post-employment* supports are an important part of our model and help keep people on the upper rungs.

And what about those for whom school or work is too big a first step? Under JOBS, with its narrow set of authorized activities coupled with the now widespread practice of a 20-hour participation requirement, many are pushed onto the upper rungs of the ladder before they are ready. This means that for many recipients their initial attempts to leave welfare end in failure and often with sanctions. Moreover, the absence of lower rungs in existing programs leads to a lack of realistic starting points for those who are least job-ready, which in turn leads to a tendency to exempt them. The unintended result is that there is a sizable minority of recipients (e.g., the functionally disabled, parents with infants) who are excluded from opportunities to improve their lives. We believe that policies such as time limits are likely to exacerbate these dynamics of relatively high numbers of *failure, sanctions, and exemptions*.<sup>10</sup>

#### C. Building the Lower Rungs

For those who are least job-ready, we have created lower rungs on the ladder. *This subgroup of recipients will now have a broader array of meaningful and realistic first steps that will count as legitimate efforts toward becoming economically independent.* These first steps include community volunteer work, participation on advisory boards, and activities related to parental responsibilities. Also, for both the lower- and upper-rung activities, gradually increasing time commitments have been added. Thus, one parent might begin the journey out of welfare dependency by volunteering at a Head Start program for 20 hours a week, another by attending a GED class for 2 hours each week.

The addition of the lower rungs is based, in part, on the idea that the activities people perform in their roles as parents and members of communities can be pulled into the policy framework and used as stepping stones and indicators of movement toward economic independence and family well-being. It is also based on the notion that *community work makes the most sense early in the process rather than later as a dumping ground for those who are unable to get and keep jobs.*

In order to implement the lower rungs as a *social contract*, certain conditions must be met. First, lower rung activities will be legitimate only if they involve skills, competencies, and time commitments that a person has not yet mastered (e.g., the inability to get one's child to school on time). Second, the skills and competencies fostered by these activities must be conceptually linked to job readiness (e.g., getting one's child to school on time contains the seeds of getting to work on time). Third, they have to be activities that can be placed in a progression of increasingly work-like skills and dispositions (e.g., moving from unscheduled volunteering, such as staying at a Head Start center after dropping one's child off, to scheduled volunteering, that is, signing up in advance and adhering to that schedule). Finally, participation in lower- rung activities must be made discrete, measurable, and verifiable.

<sup>10</sup> Almost every element in the current federal JOBS program – from inadequate funding for child care to the limited choice of authorized employability activities – contributes to a dynamic in which the majority of welfare recipients are exempted from being required to seek work or prepare for work. This phenomenon creates a central stumbling block to achieving a transitional welfare system.



Unlike a time-limited approach where the stick (the loss of an AFDC grant) tends to fall at the end point, the "Incremental Ladder" model nudges, pushes, and pulls people toward stable employment from the outset and on a continuous basis. In a system where individual employability plans involve people in activities that are relevant to their personal goals and life situations, where they can progress in identifiable increments, and where setbacks can result in revised plans, sanctions are likely to be imposed primarily on those who refuse to try to improve their lives.

Prototypes driven by many of these principles are already operating in Utah and Iowa. But individuals' plans negotiated under these existing programs tend to be ad hoc. As *national policy*, this approach is not feasible without a lower-rung framework in place.<sup>11</sup> Implementing it as public policy will require the active involvement of the full range of institutions and agencies that are part of the daily lives of AFDC recipients, including public housing authorities, family support programs, and schools.

#### D. Design and Institutionalization Challenges Around the "Incremental Ladder"

To translate the "Incremental Ladder" model into practice, there are a host of design, implementation, and organizational issues that will have to get worked out. For example, how will we determine where on the ladder a person begins and when he/she is ready to move to a higher rung? Who will determine which government or private agencies will be responsible for helping people become reemployed when they lose their job? How will we bring the full range of institutions and agencies represented on the ladder, such as Head Start and public housing agencies, into this new welfare framework both as settings for lower-rung activities and as potential case managers? And how will we track individuals' participation and progress from month to month? The challenge of mobilizing the full range of government and private agencies around these issues gives concrete meaning to the Clinton administration's broad idea of reinventing government.

In our own work in Chicago, we have begun to tackle some of these questions in different institutional settings. For example, at a Head Start program in Cabrini-Green, we have transformed the existing parent involvement activities, which tend to be informal, open-ended, and isolated, into an increasingly work-like hierarchy. For Head Start, we are developing a set of protocols and procedures, including a computerized tracking system, Individualized Participant Passports, and recognition strategies, which help parents move from rung to rung. In other words, we have developed a blueprint that at least one major institution that works with welfare-dependent families (i.e., the Head Start Bureau) could use to create an authentic *two-generation program*: a setting where parents could support their children's development while they prepare for work. To implement the "Incremental Ladder" model, similar processes need to occur within other institutions. That means those institutions traditionally involved in employment and training, like the U.S. Department of Labor's programs (e.g., one-stop shopping sites), and those that need to be brought into the welfare-to-work arena, like school systems and family support programs.

We recognize that what we are proposing would require a fundamental shift in both prevailing and proposed welfare-to-work policies. Based on our experience, however, we believe that the "Incremental Ladder" model should be tested in Illinois and other states. It is important to emphasize that the *individual elements* of this model (e.g., maximum participation from day one, support as needed, flexibility around sequencing and choice of activities, and an individualized time frame for leaving welfare) *work together and are part of an interrelated whole*. While we would not recommend that the entire country be mandated to implement the model at this time, we think it is crucial that any welfare reform

<sup>11</sup> It is important to understand that making progress does not just mean leaving the lower-rung activities behind. Once people master the skills and competencies that underlie activities such as getting children to school on time or adhering to a volunteer schedule, they become part of an accumulating portfolio of skills and habits leading to work.

legislation allows sufficient flexibility so that states that want to could use the model.

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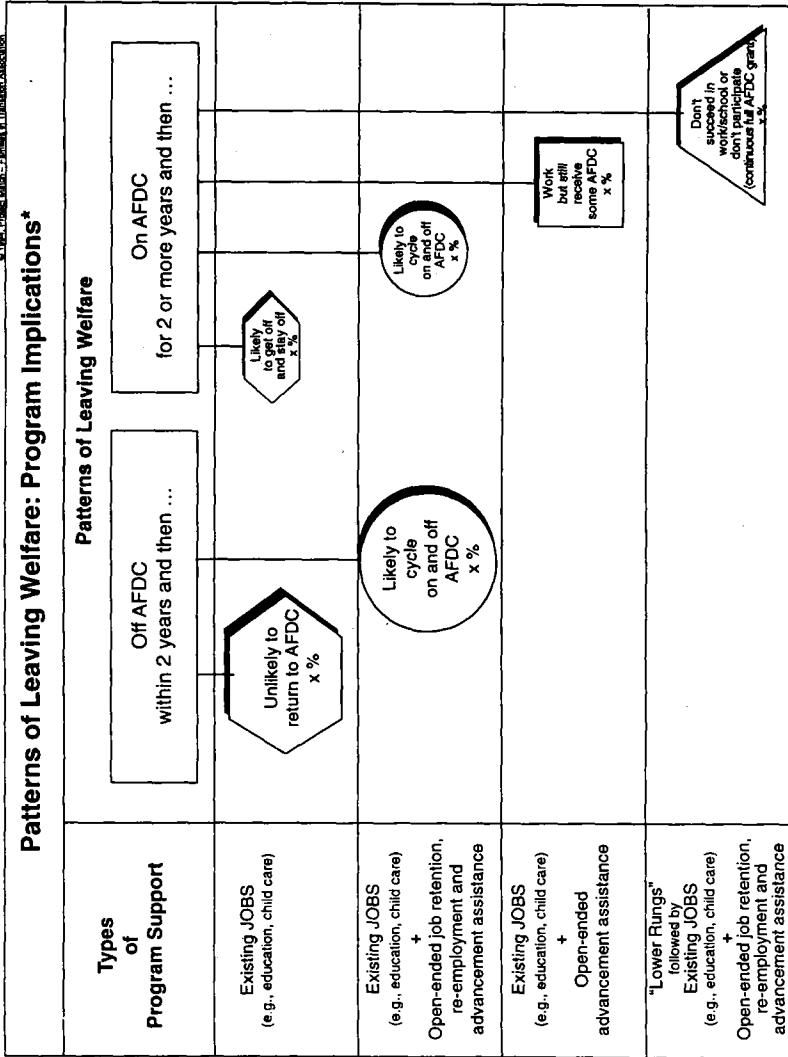
In this position paper we have outlined an expanded framework for welfare reform that strives to accomplish two principal tasks: 1) it reworks the traditional welfare-to-work approach so that it better meets the needs of the large middle group of AFDC recipients who are likely to leave AFDC within two years but return, and 2) it creates a new major component of a transitional welfare system, the "lower rungs of the ladder," designed to serve those who will experience the most difficulty entering mainstream work worlds. The chart on the following page begins to lay out this more differentiated view of the welfare population with a correspondingly differentiated view of its support needs.

In summary, we are calling for *large-scale customization* significantly different than anything previously attempted in recent decades in the human services (although customization has now become a critical underpinning of our ability to compete in the global marketplace). The process of leaving welfare can be facilitated or complicated, made more constructive or more destructive, depending on the particular configuration of institutional supports and sanctions. Unfortunately, we cannot magically alter the process for individuals by simply declaring, for political purposes, that it is going to happen in a particular sequence and time frame. What if the American public is not upset per se about the fact that welfare recipients are not working? What if, as seems plausible, the public is upset about the idea – myth or not – of people doing nothing? What would be critical then is measurable evidence of trying, of doing "something," within a framework of consistent, gradually increasing, and increasingly work-like effort.

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Project Match gratefully acknowledges the financial support of The Joyce Foundation and Woods Fund of Chicago in the preparation of *Lessons from Project Match for Welfare Reform*. A special acknowledgment to Ria Majeske of Project Match and Suzanne Wagner for their assistance in the preparation of the *Lessons* paper.

Diagram from Lessons From Project Match For Welfare Reform.  
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\* Limited data available give us some sense of the size of each subgroup, but further analysis is necessary (shapes are proportionate to our estimated percentages for each subgroup). Size of each subgroup will, of course, vary based on factors such as a state's AFDC grant level, amount of earned income disregard, availability of health insurance, exclusion of EITC, etc.

Mr. MCCRERY. Thank you—all of you—for your excellent testimony.

We will ask Mr. Collins to inquire.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Mead, as you know we are considering block grants down to the States for literally dozens of current welfare programs or Federal programs, and yet you recommend specific characteristics of welfare-to-work programs that the Federal Government should impose on States. Where do you see the balances between flexibility and Federal controls?

Mr. MEAD. Well, I would say that the crucial Federal matter is the standards and not the administration. I think the actual administration of these programs, work programs and welfare itself, can be and should be devolved to the lowest possible level. But the standards, it seems to me, have to be national because of their very, very far-reaching implications and because of their enormous sensitivity.

I would recommend that in any block grant that there be standards kept for the participation rates that are required in the work program that is being contemplated and also that there be standards set for what participation means, what you have to do to be a participant. The current plan I understand requires a 50-percent participation level in actual work by the year 2003. I believe that that is too tough unless you also let activities other than employment be included in the permissible activities.

I would also say that to have 35 hours, as is now contemplated, as the standard for participation is probably too demanding, because mothers have to worry about their families also. But it is characteristic of the Republican proposals that they combine standards which appear to be unreachable with an idea of block granting the program, which would effectively eliminate all standards.

I would prefer half-time work as a standard but enforce it seriously and have up front job search. I would work toward 50-percent participation but allow other activities besides actual employment to count toward that. I would have a standard for actual employment also.

In Kenosha County, Wisconsin, over a third of the recipients are already employed while still on welfare. I think that ought to be a standard for the Nation. We ought to require that a third of the recipients actually be employed.

They can do other things, too. They can go into education and training, but we have to have some idea of standards. How you reach the standard should not be a Federal concern. That ought to be left to the States. There are a lot of ways to run the programs, and I don't see a national interest in that, but the criteria or what the States have to do and the essential meaning of participation I think has to be defined.

Mr. MCCRERY. Excuse me, Mr. Collins.

I notice there are a number of folks in the audience with posters and signs that you would like to hold up. I have no objection to your holding up signs, but if you would take them to the back of the room so they don't obstruct the view of others who are here trying to observe and listen. Anybody who wants to hold up a poster move to the back, and it is OK with me. Thank you.

Mr. COLLINS. Mr. Mead, we are talking about—you mentioned people, a third of people working and still have access to some benefits, some subsidies. In the Contract With America what we are really talking about are some cash benefits. All other type subsidies would remain intact or accessible.

What about the 2 years? Is 2 years a reasonable time or should there be an earlier date set for phaseout of the benefits? Or should it just be up to a certain point and then that is it?

Mr. MEAD. I don't think that time-limiting welfare is the right way to reform welfare now, because I don't think it is possible for the majority of welfare recipients to support themselves. Some can, and they will if we enforce a half-time work requirement. But we have to recognize that their ability to earn is limited.

My initial goal is not to time-limit welfare or to cut welfare per se. It is rather to change the nature of it so that more people are employed. Once you did that I think you would find that the number of people who stayed on welfare as long as 2 years was reduced considerably, and then you could contemplate time-limiting welfare, but not immediately. I think to do that is the wrong approach.

Rather than try to limit welfare at the back end by limiting how long people stay on, I would prefer to change the nature of it at the front end. Rather than have a 2-year limit, I would rather require people to work or look for work immediately, as soon as they go on welfare.

And that ought to be the message: You go on welfare and you are going to be looking for a job immediately, not at the end of 2 years. Two years is an eternity to many welfare mothers. It is not meaningful to have a work test that is postponed. Put it up front but limit it to half time and allow a person to work and, if necessary, to train alongside that. A lot of people will leave welfare if you do that. Do that first and then see how many people are still on and talk about time limiting at a later point.

I fear that if you were to time limit welfare now, when we have only a largely symbolic work requirement in most localities, too many people would hit the 2-year limit and then you would have to do something to ease the limit, and it would make the policy a laughingstock. So let's implement a work test up front and then talk about time limits later.

Mr. COLLINS. You mentioned New York City, the inner city. Quite a few Members of the House do not actually represent a city the size of New York where you have the inner city problem, but yet it is of great concern to a number of us. What do you suggest we could actually do in the inner city as far as trying to create and provide jobs?

Because under the current system—I don't know what the average is in New York City but across the Nation it is \$12,000 annually in all benefits combined. When you take that amount and equate it to an hourly wage that would net out to \$12,000, you are talking about better than a \$7-an-hour job, which is a little more than flipping a hamburger or raking leaves. What can we do in the inner cities that would encourage job creation there? Go beyond just the welfare reform itself.

Let's go to job market itself. What can we do?

Mr. MEAD. I don't think that job creation right now is the main problem. As far as we can tell, jobs are available at the margin for people who seek them.

In 3 weeks, interviewing around the State of Wisconsin, talking to JOBS people, including in Milwaukee, not a single person said to me that jobs were unavailable to people on welfare. The statistics say the jobs are available. They are not necessarily good enough to get off welfare completely or out of poverty, but our initial goal ought to be to get people working.

I don't think you need to worry about the job market immediately. If we got serious about enforcing work on the whole caseload the day might come when there were shortages of jobs. My first step at that point, rather than create jobs, would be to crack down on illegal immigration. After that I would worry about job creation.

Mr. COLLINS. Ms. Gueron.

Ms. GUERON. Starting with your first question about block grants. This is an important issue. For any of you who care about expanding work programs, you have to care about the incentives facing States.

One concern I have is that if you switch to a block grant structure, the last dollar spent will be 100 percent a tax levy dollar at the State level. And under those incentives, States could be conservative about work programs which represent up front investments with clear, but future, payoffs. Faced with pressure on caseloads and the need to trade off providing money for people to live on versus running work programs, States might consider the latter more discretionary. States may resist paying the full cost of investing in work programs when some of the savings will go to the Federal Treasury. Thus, I think if your goal is to expand work programs the financial structure can be very key.

In terms of your question about a 2-year time limit, I think a lot depends on what is meant by that. Clearly, the public has said that they favor people working and that there has to be some kind of limit on education and training and other services, and that activities should shift toward work. Whether that is rigidly 2 years, it shouldn't wait for 2 years. Many people on welfare can start working right away, and programs that have an up front work focused message will get some people very quickly into jobs; for others, it might take longer. But you certainly don't need to wait.

I don't think anybody is talking about waiting for 2 years. They are talking about setting some limit, after which something else would happen. Whether there is enough work activity for everyone on the rolls or whether you could create enough work activity is a serious question.

In New York City, Mayor Koch was very devoted to work-for-benefit programs, and at the maximum he created about 7,500 work slots for a mandated welfare caseload that was about 150,000 at that point. Despite all of his enthusiasm and will in this area, going to 150,000, if you think that the public payroll in New York City is about 300,000 employees, would be a daunting job. You could have a very large sector of your public payroll in workfare positions.

So while at the margin clearly jobs are available, were you pushing to that level I think we would hit something quite different.

Mr. MEAD. The crucial area to look for jobs is not in government but in the private sector. No effective program has relied heavily on government jobs.

Mr. MCCRERY. Thank you.

Mr. Ford will inquire.

Mr. FORD. Thank you, Mr. Chairman.

Dr. Mead, following up that job market idea, the job-ready population within the welfare population. What do we need to do to match up some of the welfare recipients with some of these jobs that might be available in the private sector, people who have been forced through recessions or bad economy or just out of the work force and now find themselves on welfare? What do we need to do for this job-ready population?

Would the case managers in Health and Human Services, as they apply—what do you suggest that we do to get this 15, 20 percent of the job-ready population moved into the private sector? Do we respond through giving the assistance to, I guess, matching up with the job, the application process, the things that one would need in order to move back into the work force who may have been out for the last 4 or 5 years?

Mr. MEAD. Most essential is to enforce up front job search. It is unusual in most job programs for the first step to be looking for work. If we do that, we will right away move a lot of people into jobs. I think the job market is the best way to assess the employability of someone. If you send them out for a job you are likely to find out what sort of jobs they can get and what they can do.

In my understanding, the best thing would be to require people to work or look for work half time. At a certain point if a person failed to get a job they should also get some kind of assistance to improve their skills, maybe job development where you try to find a job for them. But I don't think we should give up as quickly as we do now on the idea that a person can get a job.

Mr. FORD. I am not suggesting that we do. I just want to know how do we say to a percentage of the adults on welfare who want to work, who might not have all of the know-how to really match their skills with what might be open on the other side of town, that they don't access through whatever the transportation needs are, who would like to work and would do a good job—I am talking about people who are law-abiding citizens who would love to move off the welfare rolls and move to the private sector. Do we offer credits to the private sector to employ these people or do we move forward?

Mr. MCCRERY. Please, ma'am, you are a guest here. This is a warning. If you do not stop and take your seats we will have to have you removed from the hearing room. We appreciate—

The Committee will be in recess for 5 minutes.

[Recess.]

Chairman SHAW [presiding]. The Committee will now reconvene.

I would like to thank the officers for the way that they cleared the hall in the most orderly manner but yet without any tremendous problems. I understand that none of the uninvited witnesses who were demonstrating in the room will be arrested at this point.

However, any further interruption is going to be cause for a charge—a misdemeanor—which is interruption of Congress.

This Committee is not going to accept these types of outbursts. It does great prejudice to the cause that the people who are demonstrating are trying to further. We are going to be hearing from all kinds of witnesses. We are going to be thorough and as fair as any committee can possibly be, but we are going to uphold the dignity of this Committee, and we are not going to stand for this on any basis.

I apologize to the witnesses.

Mr. Ford.

Mr. FORD. On behalf of the Democrats, we agree. We are faced with very critical issues as we move to reform the welfare system to bring about new policies, and any time spent in interruption with those who want to have outbursts in the audience certainly is not accepted by the Democratic side of the aisle. I, too, apologize to the witnesses.

Dr. Mead, back to the question that we were—we had before the Committee. I am convinced that there might be 20 to 25 percent of the welfare population who are able to work, just might be job-ready.

I know we say they need to search every day. It is difficult in my State for a mother with three children, \$189 in cash payments per month—it is difficult to search through public transportation or the child care that is needed if there are no programs.

I know the Personal Responsibility Act that we have before the Committee removes any requirement to provide education and training services to welfare mothers, and I don't think you have been suggesting that we remove it totally. You are saying put them to work immediately and then train them once they are in the work force.

I have no problem with that idea. I think that we should try to place them in the work force. But are you saying place them in workfare jobs rather than trying to place them into the private sector and offer maybe some type of tax credit to the employer or employing people on a particular program? Or do we set in motion some type of mechanism that would be in place on State levels that would, in fact, identify and match up people and get them job-ready to move quickly into the work force?

Mr. MEAD. I don't think that you need special arrangements at the outset. The main step is simply to require people to look for work.

One thing that programs do, though, is provide support services, and that is necessary. Actually, transportation is more often a problem, it has been found in the past, than child care, and that should be something that the staff help arrange. You are not asking people to look for work without assistance.

Mr. FORD. Support systems like transportation?

Mr. MEAD. Yes. Transportation is a service now provided under JOBS. And where it is critical, where it is unavailable—

Mr. FORD. What if additional money is needed in order to—

Mr. MEAD. I am not able to estimate that, but I know that in past surveys transportation is more often mentioned as a problem than child care, and in rural areas especially it is a serious consid-



eration. However, that is something that the program can solve because it is set up to do that. The major difficulty is not that there is no transportation; it is that right now not enough of the recipients are looking for work.

Mr. FORD. Should we leave the JOBS Programs in place, the one that we put in place in 1988? Or should we remove it?

Mr. MEAD. Leave it in place, but modify it in such a way that you have clear-cut requirements for up front job searches. Right now, job search is allowed but not required.

Also, I would require that the standard about participation be raised above 20 percent. Measure it in a different way and have a stipulation about people who are actually employed. You should have to look for work or work half time. That should be a general requirement.

And then have a participation standard and a standard for people who are actually employed as well. These would be set at levels that we think are feasible, although there should be an implementation period as there was for the first several years of JOBS.

I would try to move the participation rate up to 50 percent but, unlike the Republican proposal as it now stands, I would allow a broader range of activities. But I would still require people to work first and then go into training. I think that is the best way to solve a problem.

Mr. FORD. Out-of-wedlock births or illegitimacy or the lack of incentives to work—which are the real problems that we need to address in this welfare bill?

Mr. MEAD. That is a tough question. I don't think it is necessary to choose. As far as I can see, government has found almost no way to prevent unwed pregnancy. As far as I can tell from sketchy evidence, employment may be one of the best ways to reduce unwed pregnancy.

Mr. FORD. What about the teenage pregnancy problem that is filling up the welfare rolls? You mentioned in your testimony—isn't poverty there before the teenage pregnancy problem and then poverty—it is not like the teen pregnancy and poverty is there beforehand. How do we address that problem and—if we are going to reduce those rates?

Mr. MEAD. Although poverty per se is something to look at, I don't think that low income is the reason people get in trouble. It is, rather, they have deprived upbringings. The deprivation that matters has to be more with human things than with money, although money is important, too.

I would think that the best thing you can do for many teen mothers is to put them in a structure where they get assistance but at the same time they have to function. I am thinking of the Teen Parent Demonstration Program recently evaluated by MDRC and also the LEAP Program in Ohio, where they are showing some effects. Mothers are put in a situation where they have to work. They have to do something that is enforced. They also get support services. That has more effect on the problem than anything we have found. I don't know of a better solution right now.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. I have a number of questions, and I will try to be very specific to whom I will address these questions. But I would like to ask Ms. Herr a question first.

I was very interested in your testimony, and I wonder if you could give us some thoughts on why these welfare moms are coming onto the welfare rolls and getting back off and needing to move back in again? Do you have background or statistics that could explain this problem to us?

Ms. HERR. There seem to be two groups. There is a group that goes on, and then they lose their job, and they get off. That is a group that seems to know how to keep a job. They know the rules of the world of work. Why they get off—they are seldom fired. That is not why they leave their jobs. Some get off because they need health care, because there is an illness, because there is a problem with an abusive boyfriend or husband, those kinds of reasons. It is not that they can't keep a job.

That is why I said, for that group at least, what we have found most helpful is easy, immediate access and assistance to get another job. And that is the job development we are talking about. That is, people can actually walk into the office without an appointment. They don't have to go back to the welfare department and start over again. Within 24 hours they are sent out on job interviews, and they tend to get jobs quickly. The other service we provide is just assistance with whatever problems people are having. That is one group.

The other group, why do they lose their jobs? That is a group that in general has a much more tenuous work identity. So that when there is a problem at home, a problem at work, a problem with their supervisor, the first thing to go is the job. That is a group that is more likely to get fired or quit. They keep a job for maybe 2 or 3 months. They lose the job, get another job—it doesn't seem that over time they seem to do much better. They are not keeping the next job for longer. It is a group that we have very much struggled with. Some just mature their way out of it.

Also, our program is a volunteer program. It is very hard to know what would happen if they were mandated. I don't know what would happen if they were mandated. They would still need a lot of assistance. Would they not lose jobs as quickly? I don't know.

Ms. DUNN. Maybe the followup that Dr. Mead talked about would be helpful.

Dr. Mead, I want to ask you a question that is very central to my thinking. I want to see the private sector more involved. Are there incentives that come to mind that we could provide to private sector job providers that make a welfare mom or somebody we want to move off these rolls more interesting?

Mr. MEAD. There have been tax incentives in the past whereby if you hired a welfare recipient or several other groups of people, disadvantaged groups, you would get a tax benefit from that. The general history has been that few employers either apply for or use those incentives. Some do. There are some who make a business out of it, who basically hire welfare recipients because of the tax benefits, but that is uncommon.

There is some evidence that if you provide such an incentive it may stigmatize the job seeker because, although the person can offer the tax incentive to the employer, it identifies them as a welfare recipient. It may be best if we don't do that, if we let the job seeker go forward as anyone else would. So history here is not encouraging.

I don't mean that something might not change in the future. If we had a much higher proportion of recipients looking for work, and as such the availability of jobs became more questionable, then the tax incentive might matter more. But right now that would not be my emphasis.

Ms. DUNN. Thank you very much.

Chairman SHAW. Mr. Ensign will inquire.

Mr. ENSIGN. Thank you, Mr. Chairman.

Have you seen statistics of people that have gone via tax incentives into the workplace? Following the period of time that that money runs out or that tax incentive runs out, do you know the percentage that stay employed?

Mr. MEAD. I wouldn't be able to estimate that because the use of these incentives is quite limited. We inherently look for incentive-oriented mechanisms because we would like to believe that the dynamics here is the sort of thing that we see on Wall Street, where people respond to incentives.

I don't think that that is typically true of long-term welfare recipients. It is true of some, but these are people who in general are not very responsive to incentives. We should not project our middle-class psychology on them and assume that they are going to respond to subtle changes like a tax break for an employer.

I think they respond more to public authority, to demands of administrators who provide structure as well as support. It is really the construction of a paternalistic structure around recipients that gets results. They get support and direction from staff members who follow up, who see that they do what they are supposed to do.

These are people who often have not had very structured lives. From the moment they were children their lives usually have not been well ordered for various reasons. They need structure, and that has more effect on improving employment as far as I can tell than anything we can do with changing the incentives.

Mr. ENSIGN. When you are talking about State flexibility, some of the Governors that have been using more block grants with minimal guidelines, it seems to me that if you are in a rural type of State—Utah is an extreme example—where there is a homogeneous population, very good family structure, versus maybe New York where it is more urbanized and there is more illegitimacy—if you tried to take the same kind of a program in both of those States where one State has much more support structure outside the family and you are trying to take the same guidelines within that program, it seems to me that that is a faulty approach. This cookie-cutter approach from Washington seems so faulty because there are such differences at local levels.

Ms. GUERON. I think that is clearly true, that work programs were really invigorated during the eighties when Governors took some ownership for these programs. To run these programs you have to believe in their mission and get staff motivated to succeed

and to convince and to communicate to welfare recipients the reality that they can succeed. So there is flexibility for different communities to emphasize different goals and objectives. Then I think the programs will be operated more effectively.

In response to your earlier question about incentives, at the local level caseworkers working with welfare recipients think that the fact that work does not beat welfare is a real problem in getting people to take jobs and that welfare recipients often will return to the rolls because they are not better off working.

A number of Governors in the waiver packages and reforms that they have launched in recent years have tried to do something about that in terms of making work more remunerative; and Congress has, too, in extending transitional Medicaid and child care tried to make work more attractive. The results are not in from all of those experiments, and it will be important to see how much of a boost you can get from incentives, but I think that is part of the equation.

Mr. MEAD. The standards I would have for JOBS do not restrain a program from doing more or different provided the minimums are set. A State like Utah is probably very high performing in the JOBS Program, and it would probably already meet the standards that I would set for the Nation generally.

It is not as if we are constraining Utah. They have lots of freedom to do as they wish. It is minimum standards I am talking about. It is just what we do in unemployment insurance, Social Security—we don't allow those to vary in their essentials around the country. We do allow details to vary. That is what I am talking about.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Dr. Mead, there is no Republican welfare system. I was addressing myself to that, and they don't have a system yet, but they have concepts which we are dealing with now.

I think you said in your testimony that when the voters are so angry and frustrated about something, they may dictate a rather harsh solution. But that solution may not work, whether it is the death penalty—and I would assume you would include in that the cutting off of welfare for a child whose mother is under 18, even though people behind them in the supermarket line may agree with this solution. But it doesn't work. Saying that a person who has no training and there is no job available, whether they are on for 2 weeks or 2 years, will be automatically cut off after a 2-year period it may sound political, but it is not a solution.

And to say that because paternity is not established and without any other justification, benefits will be denied is a political solution but it won't work.

I think we have already discounted the possibilities of public jobs. It is not workable. There is layoff and shrinkage. And the unions will go bananas when their employees are laid off and you try to filter AFDC recipients into those jobs.

We would prefer not to have teenage pregnancy in the beginning and not to have as many welfare recipients.

You said something about being outraged at the number of people in New York City that are on welfare. If you assume that you can't deal with the public sector, where are these jobs? You say

they are out there. They may be out there for you or out there for me, but how is a teenaged, untrained high school dropout, and an irresponsible person, going to find this job that is out there?

Is there a way where we can make certain that the private sector tells us what jobs are out there and that government has a responsibility to shore up those with babies, without babies, those that are not on welfare, so that these people can hook into what is out there?

All of the jobs in New York are going to the Caribbean, and to Mexico. We know that those jobs are leaving so instead of being so outraged that these people are not working, could you professionals help us to marry the needs of the business world with our responsibility to train these people to meet that challenge?

Mr. MEAD. The main reason that more people are not going to work in New York is not that we lack such a mechanism but two other reasons. Those on welfare are in a job program that is known as the BEGIN Program in New York. This program has two overwhelming problems. One is that they don't have anywhere near administrative control of the caseloads. They are unable to assign and direct their recipients. They are overwhelmed by numbers.

Mr. RANGEL. Forget that. We are reforming that system. We have creative Governors to come up with new ideas. How can I marry the private sector needs with a group of people with babies, without babies but unemployed and untrained? That is where we need your guidance.

Mr. MEAD. And I am saying to you the best way to do it is require them to look for work, which they are not now required to do.

Mr. RANGEL. Do you understand how much it is to get on the subway to look for work? If you are a high school dropout you don't pick up the "New York Times" and find out what jobs are available. That is not realistic.

If we have a bureaucracy that is an impediment—I am taking a clean-cut kid, and he wants a job. What should he do? Hit the streets?

Mr. MEAD. Yes.

Mr. RANGEL. And that is what you expect teenage mothers to do?

Mr. MEAD. Yes.

Mr. RANGEL. That is a political solution. It makes people feel good to be able to say they should be working.

But when someone comes to you and asks how can I get a job and how can I work and you tell them to hit the streets, that is unfair. You didn't train them. You didn't assist them. You are ready to prepare to allow Governors to knock them off welfare, and you haven't done a thing except to say they are out there.

I know your training, and I know my training, and we can get a job, and we should hit the streets, but it is unfair for you to do that to high school dropouts.

Look at the public school system where 90 percent of the kids go through and drop out of the system because they know there is no job at the end of the process. Principals know it. Teachers know it. We should have the private sector working with the educational system to make certain that when you get a diploma, you also get a job.

You are saying that even after the mistake, after we have failed this population—and you know who those people are: They come from communities with the highest unemployment, 5 or 10 times the national average, and you are telling them to go outside their community to get a job. You have the highest number of high school dropouts, the highest number addicted to drugs, the highest incidence of violence, the highest crime rates, the highest number of AIDS cases in these areas and you say what the hell.

I tell you this. This is a great political solution; people white and black buy it: Make them work. But the babies keep coming, the crack keeps coming, the violence and crime keeps coming, and the jails are now exploding. We better come up with a solution that is not just political but something that will work.

Chairman SHAW. The time of the gentleman has expired.

Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

To the panel of witnesses I would say, Congressman Rangel brings up an excellent point. We do need to think about ways to encourage participation in the various communities of high-welfare populations, to assist those folks in finding the jobs that are out there.

However, one thing that appears to me to be true—and, please, I would like your comments—the current welfare structure in America clearly does not encourage people to seek work, find work and continue working. To me, that is obvious to a casual observer of the system.

So what we are talking about now is changing in a massive way the incentives that are in the current system. And, yes, it is easy to say we are going to require work, but that is a start in my view. It turns upside down the current incentive, which says, don't work.

And Dr. Mead, maybe I misinterpreted some of your comments, but I think you have said that the Republican proposal as now written perhaps may not be broad enough in terms of the activities which would qualify for a continuation of welfare benefits or AFDC benefits, is that correct? If so, would you expound upon that for a minute?

Mr. MEAD. Yes, I think that is right. The bill is useful in emphasizing the priorities of actual employment. That is something the JOBS Program does not do now. We do need to change that.

At the same time, I think to regard only employment as participation is too narrow. I would rather have a requirement that people work or look for work half time up front and then allow other things, too, like education and training.

The evidence is that programs that do that—Riverside is one example, also Kenosha County in Wisconsin—achieve all the goals. They achieve more jobs, and they also achieve higher quality jobs than would be the case otherwise. This suggests to me that we ought to have a requirement that people work first but then allow other activities.

I would not mandate more than half time because I think that that is unrealistic, given that these are single mothers who also have to take care of their children. I would require that they work or look for work half time and then allow education and training

on top of that. So they might end up doing more than half time, but that part would be optional.

So I applaud the Republican proposal on employment, but I think it is too narrow. We shouldn't just focus on work, and we should settle for half time. However, we should also enforce that half time rigorously.

The fear with 35 hours is that it would not, in fact, be enforced, and would be a symbolic requirement. I would rather have a lesser requirement that was not symbolic, that really was serious, where we required work up front as soon as someone went on the rolls.

Mr. MCCRERY. What about being a full-time student? Would you not allow that to qualify?

Mr. MEAD. I would not allow that in advance of working half time. We have a large number of people who go into what is called self-initiated training, where they undertake education programs which become a substitute for actually working.

At the outset in JOBS, there was reason to think education was more constructive because these are often the more able recipients who are able to get a college degree, let's say, and that might be a way to get them permanently off welfare. But we don't find that they usually go to work. It turns out that in many cases people that go into these programs don't actually finish their programs. It is a way of avoiding going to work in many cases.

We have to realize that it hasn't worked. Let's require half time work first and then let's allow training on top of that.

Mr. MCCRERY. Ms. Gueron.

Ms. GUERON. I agree with Dr. Mead on a lot of these issues and do agree that an up front focus on getting a job is a good idea. I think that his discussion of job search could be complemented by job development activities. Job search alone has some success, but there is no evidence that it will do more than increase the employment rate about 10 percentage points.

People who work actively with the private sector, seek to identify jobs, hook welfare recipients up with those jobs, can make that more effective. I do think that we have to recognize that that is not going to get everybody off the welfare rolls. No project that has gone as strong and as actively as they could with job search and development have done more than reduce the rolls 5 or 10 percentage points. You are still going to have a lot of people on welfare. And if you are interested in work you are going to have to think about moving beyond the private sector to some form of work for benefits or public work program.

Ms. HERR. I would like to make three comments, one relates to getting people into the work force. At least most of the people who get jobs are socially networked into the work force. That is, they know people who can give them job leads.

I know every June I get a call from friends whose children are graduating from high school—could I help get them a job? And that is how most of us get jobs.

The population Project Match serves, in general, is not networked into the work force. I am responding to Mr. Rangel. I think we have to create what is called a proxy network for this group, and I think that we have to make sure that in it is job development. It is interesting to me that job development is man-

dated under the JOBS Program and is not an optional component and yet most States aren't doing it. It is unclear to me why since it is mandated.

Project Match uses job development very intensively; 70 percent of people are placed into jobs within 3 months. We can get people into jobs. I find it very interesting in our program that the people who can get the jobs on their own, can get the jobs easiest because they are attractive, they know what to say, they know how to dress for the interviews, they tend to be the ones with the most trouble keeping jobs. They are the most awkward, have the least confidence, make the worst impression, don't know how to interview. Yet it is this group that when we get them into the work force they do a very good job. So it is very complicated. That is one set of issues.

Another set of issues. While Riverside is the most successful program in getting people into the work force, at the end of 3 years only 23 percent were working and off welfare. It is not enough to just get people into the work force. Clearly a more significant problem is keeping them there, and I think we need to figure out how to address this problem.

I did talk about the notion of postemployment services. We have to stay with people after they are working. As soon as they lose a job we have to get them another job. We have to help them deal with problems with their supervisors. Most of our clients are African-American, many have never had a white supervisor before. In terms of the rules of the world of work they need a chance to learn just like everyone else does, a chance to learn how to make it in the work force.

I think this is complicated, but I think we have to be honest about what some of the problems are and what some of the most promising solutions are.

Chairman SHAW. Mr. Levin will inquire.

Mr. LEVIN. Let's continue because the three of you seem to agree that the key point here is linking welfare with work. You all say that.

Dr. Mead, you do not like the prescriptions in the Contract on out-of-wedlock births, the denial of additional benefits for additional children—I haven't heard you comment on legal immigrants. You say, Dr. Mead, everybody should be required to look for work. I believe Dr. Gueron also agrees with that.

It has been suggested that there has to be some training involved in many of these cases. Many of the AFDC recipients have not graduated high school. I don't think we have the figures, but many of them don't read very well. So do we need to have in addition to a requirement that people look for work some kind of assistance in education?

Mr. MEAD. I would agree with that, but also I don't think that it should postpone job search. I don't think that a person is unemployable because they are not able to read English. It certainly limits the kinds of jobs they can get, but I believe you need to establish a principle of job search. You can't allow a person to say that because they have low skills that they have no obligation to look for work. I wouldn't say that they necessarily have to get a job, but



you have to be making an effort. Alongside that you also have re-mediation.

Mr. LEVIN. Let me ask you, if there is no child care arrangement what do we do about that? If there is no parent, grandparent or family friend, what do we do about that?

Mr. MEAD. In that case, we have to provide care through a child care center, but it is important to emphasize that the child care problem has turned out to be less serious than most people thought when these programs were mandated in 1988.

Mr. LEVIN. Let's not argue or discuss the extent. You would say you have to supplement the program with some child care in some cases. Dr. Gueron, where do you and Dr. Mead disagree?

Ms. GUERON. I might be a little less enthusiastic about lack of education than he is and the ability of the public sector to do something about that. I think there has been sobering evidence since the act passed about the ability of basic education services to, in fact, improve people's skills.

A study in California showed that, despite a strong focus on basic education, people did not score higher in most counties on tests afterward; and there was no clear link between the amount of basic educational services that people received and their employment experience. The evidence is more encouraging relating to training.

I think that basic education probably served some function but maybe a more indirect function less tied to the increase in basic skills. I don't think we disagree on a program being strongly work focused to begin with. It is not just the services that you have, it is the message communicated through those services, whether it be job search or education or training, but the message should be prowork.

Mr. LEVIN. As someone who believes that the work-welfare linkage is key I think we need to probe your differences, and I don't know that they are as deep as they are made out to be. Dr. Mead and Dr. Gueron, the two of you have been here before, and it is interesting now to see them in this context. What is the national interest in welfare programs? Why should the Federal Government be involved at all?

Mr. MEAD. As I said before, I think it is clear in public opinion studies that the American public has two very strong desires about welfare. One is they want to help the needy. There is a strong philanthropic interest on the part of average Americans. They are not indifferent to people who are destitute. They want to help.

At the same time, they are seriously disturbed by the disorders that they associate with the current welfare system, two particularly—unwed pregnancy and nonemployment by welfare adults, also by fathers who are responsible for families but are not paying child support. These features of welfare cause deep distress on the part of the average American.

So they want to help people, but they also want to turn welfare into a work program where the adults contribute. They don't necessarily, I don't think, want people to have to get completely off welfare. They are not saying you can't be dependent. They are saying you have to make an effort.

These are such strong desires that it seems to be a national priority that we worry about these things, and that is why this is a Federal matter.

Ms. GUERON. I would agree that the AFDC Program was set up to provide a safety net under children. The concern was children and poverty rates among children. That concern is still out there, tempered by a concern that poverty may be created or aided by actions of their parents. So there is a strong desire to both create a safety net for children and get tough on parents.

This is very hard because children and parents are a tied sale. They come together. It is hard to get tough on parents and still maintain a safety net to support children. That is what the whole work program strategy is. That is why it is attractive, because it seems to be a way to reconcile these two objectives. You can continue to provide some support for children but only if their parents take some actions toward work.

Mr. LEVIN. Thank you.

Chairman SHAW. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Dr. Gueron, pulling together some of the testimony you have already presented, can you summarize for us the elements of a successful welfare-to-work program?

Ms. GUERON. Yes, I will do that by talking about Riverside, California's program. It is the program that so far has the strongest results.

I think there were eight things about that program that distinguished it. The first was that the agency from the very top put a priority on work programs. This wasn't some secondary issue. They weren't only focused on writing checks accurately. They cared about the work message from the top. Second, there was a strong commitment and adequate resources—and resources are very important—to serve everyone. Not just motivated volunteers but everyone was required to participate or begin the participation process.

Third, there was an emphasis on getting a job quickly that pervaded every component—job search, education, training.

Fourth, it was a mixed strategy. It wasn't just job search. There was some education and training for those who didn't get jobs through job search.

Fifth, there was an active use of job developers in connection with the private sector, very key.

Sixth, there was a willingness to use sanctions to enforce the participation requirement.

Seventh, and often not discussed, there was a very cost-conscious management style. You can spend a lot in these programs, and I think the Riverside administrator appreciated that time is money and that you have to pay attention to that issue.

Finally, there was an outcome-focused management style. They paid attention to two issues that are important to keep your eye on at the same time—getting all people into activities and making sure that your staff are focused on getting them into work.

Mr. ENGLISH. Dr. Mead, in your written testimony you characterize the effects of welfare employment programs as marginal. And I was wondering, drawing on what Dr. Gueron has just said, would

you like to comment on what you think makes a successful welfare-to-work program and perhaps in your view what makes some welfare-to-work programs unsuccessful?

Mr. MEAD. First of all, I don't think the effects are marginal. What I said in my testimony is that they usually are regarded as marginal if one looks at the economics. But in terms of the activity, the effect on the people doing something to help themselves, the impact is a lot more than marginal. JOBS doubles and triples the share of clients who are involved in work or looking for work or education training.

I would mention a program I studied this past summer in Kenosha County. This was a program where they emphasized very strictly up front job search. They enforced a requirement for half-time work. They allowed people to train once they were working half time.

And the result was that this county outperformed another job-oriented county in Wisconsin where they emphasized simply going to work and available jobs, with much less remediation. Kenosha obtained not only more job entries but higher quality—higher wages, higher retention rates. So it looks like this is the way to go, to require work up front and also to have remediation along with it.

Another thing to stress is that reform is an administrative challenge. Although I think standards have to be set at the national level, creation of a program like Riverside is a task for administrative leadership of the highest order.

These programs construct a structure around the recipients so that they are given unquestioned support, but they also have unquestioned oversight, and they have to carry out their assignments.

The great difficulty with long-term welfare people is that they are defeated. They tend to withdraw from activities for reasons that are understandable, perhaps, but that defeat the purpose. So you have to enforce attendance.

In good programs, the followup on the clients is relentless. If someone drops out, they go after them, send letters, call on the phone. They make home visits. They don't let a person get away. And the clients experience that as caring, as providing a structure they haven't had. My phrase for this is help and hassle. You have to help people, and you have to hassle people, and the combination does the trick.

Mr. ENGLISH. Thank you very much.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. English.

Mrs. Kennelly will inquire.

Mrs. KENNELLY. Reading your testimony, Ms. Herr, I see a lot about getting people into jobs. And the recidivist rate is a recession problem, and to get the job first, to get the person in, is a problem. As you who have had such great experience along these lines, do you have any advice for an individual like myself who comes from a State that is in recession? How do you go at providing jobs when there are not many jobs? Or do you have two different approaches? Or do you use the same model whether there are jobs or you have to make work jobs? How do you handle something like that when the economy is not in an active position?

Ms. HERR. Well, I think one of the things is that if there are jobs—as you are saying, I think I may agree with both Dr. Mead and Dr. Gueron, that we need to require participation.

One of the things that we have observed in Chicago at a project at a Head Start is that there are parents that—although there are jobs in Chicago, these parents are not ready to work. So whether it is parents that aren't ready to work or whether it is a city where there aren't enough jobs, we can look at the kinds of things that they are doing in their roles as parents and members of a community and begin to build on that.

Communities need Scout leaders, volunteers at Head Start, people to walk kids to and from places in unsafe neighborhoods, to rides buses with kids when they go to activities. I think that there are an awful lot of things that are work preparation kinds of things that require real skills that people could be or are already doing. I think we have to sort of take that more seriously and really begin to structure those informal activities and think about them as serious options for those that are not ready for work and in areas where there aren't enough jobs—does that make sense?

Mrs. KENNELLY. Yes. Because I wrestle constantly with the idea that we have training and work training—for what? When I go home people say I need a job, but we know the employment situation is so terrible for somebody who is not skilled.

You see the way the Committee is moving, the way the Contract is moving. Would there be administrative ability to do this kind of task orientated in real life? You haven't got a skill. You are a mother. You have children. So you work that into what you are going to do to qualify. Do you see that as something we are doing in the direction of the Contract?

Ms. HERR. I think that when we talk about community service jobs we tend to think about creating a set number of jobs and slotting people into them whether or not they are interesting or relevant to them. I am talking about something different. What I mean is talking to a person and saying to them, "Let's look at what you are actually doing now."

When you talk to people they are all doing something. They are on tenant-management boards. They are Scout leaders, helping poor people in their communities, working in food pantries. They are doing many things. What happens is these things don't have a place in the welfare system so that they go to their JOBS Program which has certain other requirements, and they do this volunteering on the side.

What we are trying to think of is how to take these things that they are already doing and build on them and move these new activities into the JOBS Program—that is, make them legitimate activities toward becoming self-sufficient.

We have someone that is a Scout leader now. She is in training with a very good person in child development, and now she is thinking of going back to school and taking something having to do with recreational activities.

We put people in training before we know what they are good at or interested in. I think if we would start with things people are doing, with what they are interested in and then give them a

chance to go into training I think we would be a lot more successful.

Mrs. KENNELLY. Thank you.

Chairman SHAW. I would like to thank this panel for very fine testimony and appreciate your taking the time to be here, not under totally easy circumstances. But all three of you did a wonderful job.

Mr. RANGEL. Could I have one request of Ms. Herr?

Chairman SHAW. Sure.

Mr. RANGEL. Thank you.

One thing that appears to me is that a teenage mother would have love for her child. We could build on teaching her how to take care of that child, how to make certain that the child remains healthy. If she learns how to do that we can build on that and let her understand how to take care of someone else's child, and we could do this in maternity wards, in day care centers, in home care. Why can't we just say that is a Contract, and we are going to do it?

Ms. HERR. I agree. One last comment with respect to that. We have observed that the same parents that have trouble getting to work on time or getting to an educational program are the same parents who are not getting their children to school on time, and are not getting them to extracurricular activities. So our reasoning is getting someone to work on time is a competency, and you have it or you don't have it.

I have been married to someone for 25 years who doesn't have it. To me the idea would be why would we take someone who we know is having trouble getting places on time, why would we send them to a job where we know they are going to get fired? The cost of failure is so staggering for everybody.

We could be using those kinds of things as work preparation—and I don't mean parenting education. I mean things like getting the child to school, doing things for the child, participating in activities. And as they do that it gets them involved, and they naturally move on.

Mr. RANGEL. Thank you.

Mr. MCCRERY. A quick followup on that.

A concrete idea we brought up last year, Mr. Rangel—and the Committee voted it down—was simply requiring the parents to show proof of immunization for their children in order to get their checks. That is one concrete way I think we could get the parents involved. Thank you again.

Chairman SHAW. Thank you again.

One thing I hear through the testimony is that as part of this there is going to have to be a certain amount of followup. Dr. Mead, you made a statement about somebody calling and following up.

This isn't exactly onpoint, but it is the same type of philosophy. There is a high school in Fort Lauderdale, Florida, and the principal, who has since retired, set up a program where a teacher was assigned to ask a specific student, "How are you doing today?" The principal pointed out that so many of these kids go through the day without anybody really caring how they are doing. It is building

self-esteem, and I think that will satisfy a lot of the attitudes which need to be changed.

Thank you very much.

Now I would like to welcome our second panel which includes Larry Townsend, the director of the Riverside, California, work program that is undoubtedly considered one of the country's most successful in getting people off welfare and into a job. His program has been mentioned many times through the hearings that we have had.

Also Gary Stangler, who is a long-time leader in the American Public Welfare Association. Chuck Hobbs was a welfare expert in the Reagan administration who has turned his attention to private sector programs that help people find and keep a job. Jean Rogers will describe some of the successful features of Wisconsin's welfare-to-work program.

And State Senator Stephen Martin of Virginia joins us to offer his expertise as a leading State legislator on this issue. He is also the only elected official to be offering his views with us today.

We will lead off with Mr. Townsend. Each of the witnesses' written testimony will be made a part of the record. If you care to summarize, please proceed as you wish.

Mr. Townsend.

**STATEMENT OF LAWRENCE E. TOWNSEND, JR., DIRECTOR,  
RIVERSIDE COUNTY DEPARTMENT OF PUBLIC SOCIAL  
SERVICES, RIVERSIDE, CALIFORNIA**

Mr. TOWNSEND. Thank you, Hon. Chairman Shaw and Members of the Subcommittee.

I would like to identify a number of activities that we do in Riverside County to make sure that our process is understood.

We started off in our program concentrating on something called philosophy and ideology, also something called salesmanship. I had to think about becoming less of a manager and more of a sales manager.

We started off thinking about values. I read a little on Aristotle, and he said that work is virtue and that happiness is derived from being involved in a meaningful activity.

We believe in our county that to work is inherently good for individuals and that each and every day in employment, even if it is only one, is a good day and it helps teach individuals about work.

Employment is a gradual socialization process. It doesn't happen with a magic wand. Employment socialization includes listening to an alarm clock, learning how to dress appropriately, how to get along with your supervisor, how to convince him you are listening to what he wants, how to get along with coworkers, it takes a long time.

Employment is really wonderful, and I think it is a necessary prelude to education, it is probably the most important method of training.

A lot of us don't know what we want to do when we first start out, and I didn't either. But after performing a number of undesirable jobs and I saw people involved in employment that interested me, I decided that that exposure was crucial to my development. Employment gives you a chance to discover abilities you don't even

know you possess, and you won't get that sitting at home watching the soap operas.

Frankly, it is really crucial to get out there and show your stuff to your employer and earn pay increases and promotions. The old-fashioned work ethic that made America great was if you work hard, show your stuff, be reliable, eventually you will prosper. In our county we have found this still to be true.

I would like to cover a little bit about the initial job placement. A lot of people feel like we should make a value judgment as to whether you should take that job or stay on welfare based on the employment wages of the first day. That is unfair. That is just the beginning of a new, beautiful and wonderful story.

So we find that our welfare recipients do progress. They do get off welfare. About 25 percent of them leave welfare about 3 months after they get the job, not the first day. About 60 percent get off welfare about 6 months later. So it is a progressive process where clients are able to make themselves more valuable.

We work on trying to spend all of our time on those few factors that are needed to get somebody a job and off of welfare. We aren't invested in the process. We intervene only to the extent necessary with remedial education, working on attitudes, skills, just to the degree it is necessary to get somebody a job.

Some clients need more encouragement than others. There is a lot of fear out there. If we get them to believe in themselves, point out good things about themselves, the fear level dissipates, cooperation and excitement grows, and we teach them how to find a job so that they won't even need an employment agency in the future.

There are just a few key program elements I would like to mention. One is employment focus. I have set a goal that the GAIN Program in our county is focused on job placements. I expect each counselor to get 12 job placements a month as a minimum if they are going to stay with us, and that is because I care about the clients being successful and being exposed to a new future.

We insist that recipients who are registered do in fact show up. We try to use sales and marketing, we try to influence them, but we can't do that unless they show up in our doorframes. So if necessary I will reduce the welfare grant, my staff will encourage them to participate in the program, and show them how to actually get employment and have a new future.

We do utilize job developers. I think we are one of the first ones that did that. Some of our job placements come from the job developers. Also, I am a job developer. Clerical and all other staff are job developers on a part-time basis, but I have full-time ones. They belong to each Chamber of Commerce, go to Rotary Clubs and become part of the communities.

I guess what you have to do I have discovered in the program is that you have to believe in the program yourself, you have to believe that welfare recipients all have a future regardless of long term, short term, need education, not in need of education, regardless of ethnic group. We have discovered that every one of them has a better future through employment.

I would like to conclude with a basic statement that in our opinion only work works. Thank you.

[The prepared statement and attachments follow:]

UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE ON HUMAN RESOURCES  
JANUARY 23, 1995

TESTIMONY OF:

LAWRENCE E. TOWNSEND JR.  
DIRECTOR, DEPARTMENT OF PUBLIC SOCIAL SERVICES  
COUNTY OF RIVERSIDE, CALIFORNIA

**GENERAL COMMENTS**

GOOD MORNING, HONORABLE CHAIRMAN SHAW AND MEMBERS OF THE SUBCOMMITTEE ON HUMAN RESOURCES. IN CALIFORNIA, THE JOBS PROGRAM IS CALLED GAIN, WHICH STANDS FOR GREATER AVENUES FOR INDEPENDENCE. RIVERSIDE IS ONE OF THE COUNTIES INCLUDED IN THE MANPOWER DEMONSTRATION RESEARCH CORPORATION (MDRC) STUDY OF CALIFORNIA'S GAIN PROGRAM. THE SEPTEMBER 1994 MDRC REPORT INCLUDES THE STATEMENT THAT RIVERSIDE COUNTY'S GAIN PROGRAM "PRODUCED THE MOST IMPRESSIVE RESULTS EVER FOUND FOR A LARGE-SCALE WELFARE-TO-WORK PROGRAM."

BEFORE SHARING WITH YOU WHAT IS UNIQUE ABOUT RIVERSIDE'S GAIN PROGRAM AND HOW OUR SUCCESS CAN BE TRANSLATED TO THE JOBS PROGRAM, I WOULD LIKE TO SPEAK BRIEFLY ABOUT THE SEPTEMBER 1994 MDRC REPORT AND THE IMPORTANCE OF THE JOBS PROGRAM AS PART OF WELFARE REFORM.

ONE IMPORTANT RESULT DISCUSSED IN THE REPORT IS THAT OVER THE THREE YEAR PERIOD OF THE STUDY, MDRC FOUND THAT SINGLE PARENT FAMILIES RECEIVING GAIN SERVICES IN RIVERSIDE COUNTY HAD 49% MORE EARNED INCOME THAN THOSE IN THE CONTROL GROUP WHO DID NOT RECEIVE GAIN SERVICES AND THAT THEY HAD ALSO RECEIVED 15% LESS IN AFDC PAYMENTS. ADDITIONAL DETAIL IS AVAILABLE BY REVIEWING THE MDRC TABLES WHICH FOLLOW MY WRITTEN COMMENTS.

ANOTHER IMPORTANT RESULT IN THE REPORT IS A BENEFIT-COST ANALYSIS WHICH SHOWS WHAT MDRC CALLED AN "EXCEPTIONALLY LARGE" RETURN ON INVESTMENT IN RIVERSIDE'S GAIN PROGRAM FROM THE PERSPECTIVE OF THE GOVERNMENT BUDGET. THIS RETURN WAS \$2.84 FOR EACH NET DOLLAR INVESTED FOR SINGLE PARENT FAMILIES, WHICH MAKE UP OVER 80% OF THE AFDC POPULATION, AND \$1.61 FOR EACH NET DOLLAR INVESTED FOR TWO PARENT FAMILIES.

AS IMPORTANT AS THE RESULTS JUST DESCRIBED ARE THE LESSONS WHICH WE CAN LEARN ABOUT WELFARE-TO-WORK PROGRAMS BY EXAMINING THE SUCCESS OF RIVERSIDE'S EMPLOYMENT-FOCUSED GAIN PROGRAM. THESE INCLUDE:

- o AN EMPLOYMENT-FOCUSED PROGRAM CAN BE COST EFFECTIVE
- o A LOWER CASELOAD DOES NOT NECESSARILY LEAD TO BETTER RESULTS
- o LONG-TERM WELFARE RECIPIENTS DO NOT REQUIRE LENGTHY AND COSTLY PROGRAMS TO ENTER EMPLOYMENT
- o AN EMPLOYMENT-FOCUSED PROGRAM CAN BE SUCCESSFUL FOR AFDC RECIPIENTS WITHOUT TARGETING ANY CLIENT GROUPS



- o SUCCESS OF AN EMPLOYMENT-FOCUSED PROGRAM IS NOT INHIBITED BY A HIGH LOCAL UNEMPLOYMENT RATE
- o AN EMPLOYMENT-FOCUSED PROGRAM CAN BE SUCCESSFUL ACROSS ETHNIC GROUPS
- o SUCCESS IN AN EMPLOYMENT-FOCUSED PROGRAM IS GREATER AND MORE COST EFFECTIVE WITH SINGLE PARENT FAMILIES ON AFDC THAN WITH TWO PARENT FAMILIES ON AFDC
- o A SUCCESSFUL EMPLOYMENT-FOCUSED PROGRAM DOES NOT ELIMINATE THE NEED FOR AFDC

AS SUCCESSFUL AS RIVERSIDE'S PROGRAM IS, IT IS LIKELY THAT IT WOULD BE EVEN MORE SUCCESSFUL IF AFDC RECIPIENTS HAD NOT HAD THE EMPLOYMENT DISINCENTIVE OF A 4-MONTH LIMIT ON THE AFDC EARNINGS EXEMPTION AND IF GAIN PARTICIPANTS HAD NOT HAD THE OPTION, AS A RESULT OF STATE STATUTE, TO DEFER THEIR PARTICIPATION BY WORKING AS LITTLE AS 15 HOURS A WEEK.

SINCE THE END OF THE STUDY PERIOD, CALIFORNIA HAS ELIMINATED THE 4-MONTH LIMIT AND MADE OTHER CHANGES TO REDUCE THE WORK DISINCENTIVE IN THE AFDC PROGRAM. IN ADDITION, THE GAIN ADVISORY COUNCIL, CONVENED BY GOVERNOR PETE WILSON AND CONSISTING OF REPRESENTATIVES FROM COUNTY WELFARE DEPARTMENTS AND VARIOUS STATE ORGANIZATIONS CONCERNED WITH CALIFORNIA'S GAIN PROGRAM, RECENTLY DEVELOPED 27 RECOMMENDATIONS FOR IMPROVING CALIFORNIA'S GAIN PROGRAM. I UNDERSTAND THE GOVERNOR'S STAFF IS PREPARING A PROPOSAL FOR CONSIDERATION BY THE STATE LEGISLATURE WHICH WOULD IMPLEMENT MANY OF THESE RECOMMENDATIONS, INCLUDING THE ELIMINATION OF THE 15-HOUR WORK DEFERRAL.

### **WELFARE REFORM AND THE JOBS PROGRAM**

WHILE FOR SOME FAMILIES, AFDC IS A NECESSARY WAY STATION ON THE ROAD TO SELF SUFFICIENCY, FOR OTHERS IT IS A STEP TOWARD LONG TERM WELFARE DEPENDENCY. IN SOME CASES, THAT WELFARE DEPENDENCY LASTS FOR GENERATIONS.

WHILE I AM PREPARED TO SHARE WITH YOU WHATEVER DETAIL YOU DESIRE REGRADING RIVERSIDE COUNTY'S PERSPECTIVE ON WELFARE REFORM, I WILL LIMIT MY COMMENTS TO THE IMPORTANCE OF THE EXISTENCE OF A FEDERALLY MANDATED, PROPERLY FOCUSED, AND ADEQUATELY FUNDED JOBS PROGRAM. IF DESIGNED PROPERLY, THE JOBS PROGRAM CAN BE ONE OF THE BEST VEHICLES FOR ASSISTING THOSE WHO ARE AFDC-DEPENDENT TO SUCCESSFULLY TRAVERSE THE ROAD TO SELF SUFFICIENCY.

A WELL DESIGNED JOBS PROGRAM SHOULD:

- o REQUIRE THE PARTICIPATION OF ALL ABLE ADULT AFDC RECIPIENTS,
- o SET CLEAR PERFORMANCE STANDARDS, BASED ON OUTCOMES RATHER THAN PROCESS, AND PERHAPS MOST IMPORTANTLY,
- o BE FOCUSED ON AFDC RECIPIENTS SECURING PAID EMPLOYMENT AS QUICKLY AS POSSIBLE.

SUCH A SYSTEM CAN BE COST EFFECTIVE AS DEMONSTRATED IN RIVERSIDE COUNTY'S GAIN PROGRAM.

### **RIVERSIDE COUNTY'S GAIN PROGRAM**

WHILE I DO NOT PROFESS THAT RIVERSIDE COUNTY HAS A FINAL SOLUTION TO WELFARE DEPENDENCY, I DO BELIEVE THE DESIGN AND IMPLEMENTATION OF GAIN IN RIVERSIDE COUNTY INCORPORATES APPROACHES WHICH CAN BE DUPLICATED AT OTHER SITES AND WHICH MAY LEAD TO THE KIND OF SUCCESS DOCUMENTED BY THE MDRC STUDY. BECAUSE IMPLEMENTING LEGISLATION FOR CALIFORNIA'S GAIN PROGRAM GAVE CONSIDERABLE DISCRETION TO INDIVIDUAL COUNTIES REGARDING HOW TO OPERATE GAIN, RIVERSIDE COUNTY'S PROGRAM WAS RELATIVELY DISTINCT AT ITS INCEPTION FROM OTHER GAIN PROGRAMS IN CALIFORNIA.

I BELIEVE SEVERAL THINGS HAVE CONTRIBUTED TO RIVERSIDE'S SUCCESS. FIRST, IS THE UNDERLYING PHILOSOPHY AND IDEOLOGY. SECOND, IS A SET OF THREE KEY PROGRAM ELEMENTS WHICH CAN BE DUPLICATED ELSEWHERE. THIRD, IS A BRIEF LISTING OF LEADERSHIP TECHNIQUES WHICH CAN BE USED TO EMPOWER STAFF.

### **PHILOSOPHY AND IDEOLOGY**

THERE IS A FOUNDATION OF BELIEFS UPON WHICH THE EMPLOYMENT FOCUSED PROGRAM IN RIVERSIDE COUNTY IS BASED. THESE INCLUDE THE FOLLOWING.

- o WORK IS INHERENTLY GOOD FOR INDIVIDUALS AND EACH DAY IN EMPLOYMENT IS A GOOD DAY

EMPLOYMENT PROVIDES INDIVIDUALS WITH: PRIDE IN EARNING ALL OR PART OF THEIR SUPPORT; AN OPPORTUNITY TO DISCOVER UNSUSPECTED ABILITIES AND SKILLS; A CHANCE TO BE A BETTER ROLE MODEL FOR THEIR CHILDREN; AND, HOPE FOR A BETTER FUTURE.

- o THERE IS NO MAGIC BULLET OR ULTIMATE JOB FOR EACH CLIENT

EARNINGS FROM THE STARTING WAGE LEVEL OF A JOB SHOULD NOT BE COMPARED WITH THE WELFARE PAYMENT LEVEL TO DETERMINE WHETHER THE JOB SHOULD BE ACCEPTED. THE INITIAL HOURLY WAGE ON THE FIRST DAY OF EMPLOYMENT IS JUST THE BEGINNING OF OPPORTUNITY. THE IMPORTANT STORY IS THAT THE NEW EMPLOYEE HAS A CHANCE TO LEARN, DEVELOP, DISCOVER ABILITIES, PROVE HIS OR HER WORTH TO AN EMPLOYER, EARN PAY INCREASES AND PROMOTIONS, OR MOVE ON TO ANOTHER JOB.

IN AMERICA'S PAST THERE WAS A BELIEF THAT IF YOU WORKED HARD, DID GOOD WORK, AND WERE RELIABLE, YOU WOULD EVENTUALLY PROSPER. THIS BELIEF IS STILL VALID TODAY. PROOF OF THIS IS EVIDENT IN THE SUCCESS OF OUR GAIN CLIENTS.

- o EMPLOYMENT IS A GRADUAL SOCIALIZATION PROCESS

EMPLOYMENT, HOWEVER MODEST, TEACHES AND REINFORCES VERY BASIC, YET ESSENTIAL, SKILLS NECESSARY FOR ACQUIRING AND RETAINING EMPLOYMENT THAT MANY PEOPLE TAKE FOR GRANTED BUT NOT ALL OF US HAVE, SUCH AS: SETTING THE ALARM CLOCK; GETTING TO WORK ON TIME; ACCEPTING SUPERVISION; LEARNING TO

COMPLETE TASKS RELIABLY; GETTING ALONG WITH COWORKERS; AND, DRESSING APPROPRIATELY FOR WORK.

IF AN INITIAL JOB PLACEMENT IS NOT SUCCESSFUL, IT IS NOT VIEWED AS A FAILURE IN OUR GAIN PROGRAM, BUT, RATHER, IS EXAMINED AS AN OPPORTUNITY RICH WITH LESSONS REGARDING HOW THE GAIN PARTICIPANT MIGHT BE SUCCESSFUL IN THE NEXT JOB.

- o ALL INDIVIDUALS HAVE PROMISE, ABILITIES, AND POTENTIAL FOR A NEW FUTURE

MOST AFDC CLIENTS DO NOT WANT TO BE ON AFDC. RATHER THAN BE LABELLED AND PLACED IN CATEGORIES OR TARGET GROUPS, ALL AFDC CLIENTS SHOULD BE EQUALLY SERVED BY THE JOBS PROGRAM AND EFFORTS SHOULD BE MADE TO MOVE ALL AFDC CLIENTS INTO EMPLOYMENT AND OUT OF WELFARE DEPENDENCY AS SOON AS POSSIBLE.

- o MORE AFDC CLIENTS CAN BE SERVED IF EACH CAN BE SERVED LESS EXPENSIVELY  
THE "PARETO PRINCIPLE", ESPOUSED BY NINETEENTH CENTURY ECONOMIST VILFREDO PARETO, IS THAT, IN ANY HUMAN ACTIVITY, PEOPLE SPEND ONLY 20% OF THEIR TIME DOING WORK WHICH YIELDS 80% OF THE RESULTS. IN RIVERSIDE COUNTY, WE APPLY THIS CONCEPT BY FOCUSING OUR EFFORTS ON THE ACTIVITIES WHICH ARE MOST LIKELY TO RESULT IN OUR CLIENTS OBTAINING PAID EMPLOYMENT.

BY COMBINING THE "PARETO PRINCIPLE" WITH THE PHILOSOPHY OF ACHIEVING THE GREATEST GOOD FOR THE GREATEST NUMBER, WE ARE LIMITING OUR EXPENDITURES PER INDIVIDUAL BY MOVING CLIENTS THROUGH OUR SYSTEM MORE QUICKLY THEREBY ENABLING US TO ASSIST A FAR GREATER NUMBER OF CLIENTS IN ACHIEVING A FUTURE OF PAID EMPLOYMENT.

- o SOME CLIENTS NEED MORE ENCOURAGEMENT THAN OTHERS TO PARTICIPATE

SOME AFDC CLIENTS RESIST PARTICIPATION IN GAIN. FOR SOME OF THESE AFDC CLIENTS, ONCE THEY UNDERSTAND THEIR PARTICIPATION IS MANDATED, THEY DIVE INTO THE PROCESS WHOLEHEARTEDLY. SOME OF OUR MOST INTERESTING SUCCESS STORIES ARE INDIVIDUALS WHO WERE INITIALLY HESITANT ABOUT PARTICIPATING.

A SMALL PROPORTION OF ABLE-BODIED AFDC CLIENTS BELIEVE SOCIETY SHOULD SUPPORT THEM. FOR THIS SMALL NUMBER, SANCTIONS MAY BE NECESSARY. IF, AFTER EXTENSIVE COUNSELLING, PLEADING, OFFERS OF ASSISTANCE IN PERSON, BY LETTER, AND BY PHONE, WE CONTINUE TO BE MET WITH NON-COOPERATION, WE SANCTION THE RECALCITRANT CLIENTS. WHILE SANCTIONS ARE APPLIED TO ONLY A SMALL PROPORTION OF THE CASELOAD, THE EXISTENCE OF SANCTIONS IS IMPORTANT TO THE SUCCESS OF OUR APPROACH.

### THREE KEY PROGRAM ELEMENTS

THERE ARE THREE MAJOR PROGRAM ELEMENTS WHICH ARE INSTRUMENTAL TO THE SUCCESS OF OUR PROGRAM.

#### EMPLOYMENT FOCUS:

ALL GAIN STAFF RECEIVE A STRONG AND UNEQUIVOCAL MESSAGE THAT THE PURPOSE OF THE GAIN PROGRAM IS TO ASSIST CLIENTS IN BECOMING EMPLOYED. GAIN COUNSELLORS ARE EXPECTED TO EACH MAKE 12 JOB PLACEMENTS PER MONTH.

OUR WORK WITH GAIN CLIENTS IS FOCUSED ON HELPING THEM LEARN TO UNDERSTAND THE BENEFITS OF WORKING, TO RECOGNIZE THEIR OWN VALUES AND ABILITIES, AND TO MARKET THEMSELVES. IN ADDITION, THEY ARE TAUGHT HOW TO LOCATE AND SECURE EMPLOYMENT INDEPENDENT OF OUR GAIN STAFF IN THE FUTURE.

#### PARTICIPATION:

GAIN CLIENTS ARE APPROACHED BY STAFF WITH THE OBJECTIVE OF SECURING THE CLIENT'S ENTHUSIASTIC PARTICIPATION. WE SELL THE CLIENTS ON THE BENEFITS OF PARTICIPATION AND THE SERIOUSNESS OF THEIR RESPONSIBILITY TO THEIR FAMILIES.

WE DO CONSIDER THEIR PARTICIPATION TO BE MANDATORY AND, IF NECESSARY, WE DO ENFORCE PARTICIPATION.

#### JOB DEVELOPMENT:

WE HAVE SPECIALIZED JOB DEVELOPERS AGGRESSIVELY INVOLVED IN LOCATING JOB VACANCIES AND RECRUITING EMPLOYERS. THE JOB DEVELOPERS VIEW BOTH THE POTENTIAL EMPLOYERS AND THE GAIN PARTICIPANTS AS THEIR CUSTOMERS. WE DO EXTENSIVE SCREENING OF GAIN PARTICIPANTS PRIOR TO REFERRAL IN ORDER TO ENSURE THE EMPLOYERS WILL CONTINUE TO PERCEIVE GAIN PARTICIPANTS AS A VALUABLE RESOURCE.

AS AN AUGMENTATION TO THE JOB DEVELOPERS, ALL STAFF, FROM THE CLERICAL LEVEL TO THE DEPARTMENT DIRECTOR, ACT AS VOLUNTEER JOB DEVELOPERS BY IDENTIFYING AVAILABLE JOBS IN THE COMMUNITY. IN ADDITION, AT ONE STAGE OF THE GAIN PROCESS, ALL PARTICIPANTS ARE WORKING TO IDENTIFY JOBS AVAILABLE IN THE COMMUNITY. IF THE JOBS THEY IDENTIFY ARE NOT SUITABLE FOR THEM, THEY MAKE THE INFORMATION AVAILABLE TO OTHER GAIN PARTICIPANTS.

### SELECTED LEADERSHIP STRATEGIES

#### o LEADING BY EXAMPLE

FROM THE EARLIEST STAGES OF PLANNING FOR THE GAIN PROGRAM THROUGH TODAY, I VISIBLY DEMONSTRATED TO STAFF MY BELIEF IN THE VALUE OF EMPLOYMENT, IN THE GAIN PROGRAM AS A MEANS TO HELP AFDC CLIENTS BECOME EMPLOYED AND REDUCE THEIR DEPENDENCY ON WELFARE, AND IN THE CRUCIAL VALUE OF THE GAIN PROGRAM TO THE COMMUNITY.

SOME ACTIONS TAKEN TO ACCOMPLISH THIS OBJECTIVE INCLUDE ATTENDING STAFF TRAINING SESSIONS, MAKING REGULAR VISITS TO THE DISTRICT OFFICES, AND CHAIRING LARGE GROUP DISCUSSIONS ON THE GAIN PROGRAM WHERE WE DISCUSS THE VALUE OF THE PROGRAM TO THE PARTICIPANTS, TAXPAYERS, SOCIETY, AND FUTURE GENERATIONS.

o LEADING BY EXPECTATIONS

WHILE THE GAIN PROGRAM HAS MANY COMPONENTS AND PROCESSES, WE RECOGNIZE THEM AS THE MEANS AND NOT THE END. IN ORDER TO KEEP STAFF FOCUSED ON THE END GOAL, JOB PLACEMENTS FOR GAIN PARTICIPANTS, I ESTABLISHED WRITTEN PERFORMANCE STANDARDS IN WHICH JOB PLACEMENTS ARE THE PRIMARY MEASURE OF SUCCESS. WHILE I SET THE GOAL HIGHER THAN ANY OF THE STAFF THOUGHT REASONABLE, 12 JOB PLACEMENTS PER MONTH, THE VAST MAJORITY OF GAIN COUNSELLORS REGULARLY EXCEED THE STANDARD. IN ADDITION TO INDIVIDUAL STANDARDS, THE GAIN PROGRAM AS A WHOLE IS REQUIRED TO MAKE 9,000 JOB PLACEMENTS PER YEAR.

I ALSO ESTABLISHED AN EXPECTATION THAT STAFF HIRED IN GAIN WOULD HAVE SEVERAL IMPORTANT CHARACTERISTICS. THEY MUST BE TOP PERFORMERS FROM OTHER PROGRAMS; THEY SHOULD NOT HAVE HAD FAILURES IN THEIR OWN EMPLOYMENT HISTORY; THEY SHOULD BE WELL GROOMED; THEY SHOULD HAVE A POSITIVE AND ENTHUSIASTIC DISPOSITION. EXTENSIVE TRAINING IS PROVIDED FOR GAIN STAFF TO INCREASE THE LIKELIHOOD THEY CAN MEET THE PERFORMANCE EXPECTATIONS.

o LEADING BY GETTING OUT OF THE WAY

WHILE GAIN STAFF HAVE BEEN GIVEN CERTAIN PARAMETERS WITHIN WHICH THEY MUST OPERATE, THEY HAVE BEEN ENCOURAGED TO EXPERIMENT TO DETERMINE WHAT WORKS BEST FOR THEM AND TO SHARE THE RESULTS WITH OTHERS. THEY HAVE BEEN TOLD THAT THE BOTTOM LINE EXPECTATION IS JOB PLACEMENTS AND HAVE BEEN HELD ACCOUNTABLE FOR PRODUCTIVITY AND ACKNOWLEDGED FOR THEIR SUCCESS. RECOGNITION AWARDS FOR HIGH PRODUCTIVITY ARE USED EXTENSIVELY.

ATTACHMENTS:

- I. SUMMARY TABLES - SEPTEMBER 1994 MDRC REPORT
- II. JOB PLACEMENTS AND GRANT TERMINATIONS IN RIVERSIDE COUNTY

TABLE 1  
GAIN'S THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS FOR AFDC-FGs (SINGLE PARENTS)

County	Average Total Earnings			Average Total AFDC Payments			Percentage Change
	Experimentals (\$)	Controls (\$)	Difference (\$)	Experimentals (\$)	Controls (\$)	Difference (\$)	
<b>Alameda</b>							
Year 1	1421	1212	209	6916	7066	-150	-2%
Year 2	2132	1624	508 *	5816	6077	-261 *	-4%
Year 3	2680	2105	774 **	4861	5232	-371 **	-7%
Total	6432	4841	1492 **	17563	18375	-782 *	-4%
<b>Bucks</b>							
Year 1	2001	1729	272	5132	5486	-353 *	-6%
Year 2	2908	2442	466 *	3715	4048	-333 *	-8%
Year 3	3539	2992	547 *	2812	3101	-289 *	-9%
Total	8537	7163	1474 *	11659	12635	-976 *	-8%
<b>Los Angeles</b>							
Year 1	1304	1308	-4	6674	7202	-328 ***	-5%
Year 2	1899	1589	110	5711	6111	-401 ***	-7%
Year 3	1899	1786	113	4729	5006	-277 **	-6%
Total	4943	4693	250	17314	18319	-1005 ***	-5%
<b>Riverside</b>							
Year 1	2470	1550	920 ***	4962	5658	-695 ***	-12%
Year 2	3416	2233	1183 ***	3456	4161	-703 ***	-17%
Year 3	3562	2552	1010 ***	2864	3448	-584 ***	-17%
Total	9448	6335	3113 ***	11284	13267	-1983 ***	-15%
<b>San Diego</b>							
Year 1	2462	2113	349 **	5529	5832	-302 ***	-5%
Year 2	3503	2784	719 ***	4199	4679	-480 ***	-10%
Year 3	3521	3108	413 **	3555	3908	-353 ***	-9%
Total	9786	8014	1772 ***	13283	14419	-1136 ***	-8%
<b>Tulare</b>							
Year 1	1792	1941	-149	6363	6231	132	2%
Year 2	2536	2531	5	5118	5023	95	2%
Year 3	3111	2594	516 **	4171	4264	-113	-3%
Total	7439	7066	374	15653	15538	114	1%
<b>All counties (e)</b>							
Year 1	1908	1642	266 ***	5863	6246	-283 ***	-5%
Year 2	2741	2362	379 ***	4837	5127	-290 ***	-6%
Year 3	3159	2523	636 ***	3933	4167	-234 ***	-6%
Total	7791	6367	1424 ***	14464	15426	-961 ***	-6%

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year. Statistical significance levels are indicated as \*\*\* = 1 percent (the highest level), \*\* = 5 percent, \* = 10 percent.  
(e) In the all-county averages, the results for each county are weighted equally.

TABLE 8  
GAIN'S THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS FOR AFDC-US (HEADS OF TWO-PARENT FAMILIES)

County	Experiments (8)	Average Total Earnings		Percentage Change	Experiments (8)	Average Total AFDC Payments		Percentage Change	
		Controls (8)	Difference (8)			Controls (8)	Difference (8)		
Alameda (a)									
Year 1	-	-	-	-	-	-	-	-	
Year 2	-	-	-	-	-	-	-	-	
Year 3	-	-	-	-	-	-	-	-	
Total	-	-	-	-	-	-	-	-	
Berkeley									
Year 1	3026	2383	633 *	26%	6523	6749	-226	-3%	
Year 2	4033	2776	1257 ***	45%	5246	5775	-529	-9%	
Year 3	4732	3346	1406 **	42%	4555	5071	-516	-10%	
Total	11811	8515	3295 ***	39%	16324	17595	-1271	-7%	
Los Angeles									
Year 1	1480	1221	259 **	21%	9440	9871	-431 ***	-4%	
Year 2	1787	1469	319 *	22%	8333	8526	-193	-2%	
Year 3	1726	1417	309 *	22%	7417	7739	-322 *	-4%	
Total	4993	4106	887 **	22%	25180	26438	-1248 ***	-5%	
Pleasanton									
Year 1	3691	2800	781 ***	26%	4840	5807	-967 ***	-17%	
Year 2	4035	3628	411	11%	3892	4640	-748 ***	-16%	
Year 3	3812	3478	334	10%	3814	3964	-150	-4%	
Total	11542	10036	1506 **	15%	12346	14411	-2064 ***	-14%	
San Diego									
Year 1	3331	3089	242	8%	6790	7301	-510 ***	-7%	
Year 2	4126	3678	448 ***	12%	5565	6197	-632 ***	-10%	
Year 3	4144	3442	702 ***	20%	5339	5339	-194	-4%	
Total	11603	11469	134	1%	17510	18637	-1327 ***	-7%	
Tulsa									
Year 1	2867	2661	206	8%	7545	7523	23	0%	
Year 2	3721	3698	23	1%	6316	6281	35	1%	
Year 3	4121	4136	-17	-1%	5568	5600	-32	-1%	
Total	10698	11097	-266	-2%	19449	19364	85	0%	
All counties (b)									
Year 1	2303	2518	-215	-9%	7028	7450	-422 ***	-6%	
Year 2	3542	3170	372 **	12%	5971	6340	-369 ***	-6%	
Year 3	3711	3358	353 **	11%	5266	5543	-277 ***	-5%	
Total	10156	9045	1111 ***	12%	18164	19332	-1168 ***	-6%	

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year. Statistical significance levels are indicated as: \* = 1 percent (the highest level); \*\* = 5 percent; \*\*\* = 10 percent.  
(a) Because of Alameda's small sample size for AFDC-US, the estimates of its earnings impacts (\$762 for the three-year period, or a 24 percent increase over the control group average) and AFDC payments impacts (-\$103, or less than a 1 percent decrease) are considered much less reliable than those for the other counties; therefore, the Alameda impacts are not included in this table.  
(b) In the all-county averages, the results for each county are weighted equally.

## AN OVERVIEW OF RIVERSIDE COUNTY GAIN JOB PLACEMENTS AND GRANT TERMINATIONS

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DURING THE PERIOD JULY 1993 THROUGH JUNE 1994, RIVERSIDE COUNTY'S GAIN EXPENDITURES WERE \$10,217,849. DURING THIS PERIOD, THERE WERE

7,084 GAIN JOB PLACEMENTS AT A COST OF \$1,442 PER PLACEMENT

1,929 GAIN AFDC GRANT TERMINATIONS AT A COST OF \$5,297 PER TERMINATION

\*\*\*\*\*

AS A RESULT OF AN IN-DEPTH REVIEW OF ALL GAIN JOB PLACEMENTS IN TWO CONSECUTIVE MONTHS THOUGHT TO BE TYPICAL DURING THIS PERIOD, IT WAS FOUND THAT:

AFDC TERMINATION OCCURRED WITHIN THREE MONTHS OF JOB PLACEMENT FOR 27% OF THE CASES

AFDC TERMINATION OCCURRED WITHIN TWELVE MONTHS OF JOB PLACEMENT FOR 58% OF THE CASES

\*\*\*\*\*

BY USING RIVERSIDE COUNTY'S GAIN IMPACT TRACKING SYSTEM, IT WAS FOUND THAT:

TWELVE MONTHS AFTER AFDC TERMINATION, 68% OF THE TERMINATED CASES REMAINED OFF AID

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Chairman SHAW. Mr. Stangler.

**STATEMENT OF GARY J. STANGLER, DIRECTOR, MISSOURI DEPARTMENT OF SOCIAL SERVICES, ON BEHALF OF THE AMERICAN PUBLIC WELFARE ASSOCIATION**

Mr. STANGLER. Thank you for the opportunity to testify this afternoon on behalf of the American Public Welfare Association. I am Gary Stangler, director of the Missouri Department of Social Services; and I am chair of APWA's National Council of State Human Service Administrators and a member of our Task Force on Self-Sufficiency, of which Jerry Miller of Michigan is the chair.

I would like to discuss some of the requirements in the Personal Responsibility Act that relate to the capacity of the States to administer these programs. While we have not taken a formal position on the PRA, there are a number of concerns that I would like to raise.

There is no doubt that welfare reform is something we all want to aggressively pursue, and the best evidence of that is what we in the States have been trying to do to pursue experiments and demonstration projects. More than half the States have demonstration projects. Twenty-seven States have waivers pending right now, mine included. We have created a traffic jam at HHS in our efforts to secure waivers to try different things.

Missouri is not New York. St. Louis is not the boot heel of Missouri, and there are a number of things that we wish to try, given different settings. My urge would be to allow great flexibility for State-based reform and our efforts to change the welfare system.

A couple of brief examples. There are many examples, but I would like to mention briefly what we are trying to do in Missouri.

It has been alluded to several times and Governor Carnahan has recognized there is a clear and fundamental difference between job skills and work skills. Job skills are fairly straightforward and easy to transmit in a variety of settings. Those work skills that have been mentioned—showing up on time, getting along with your supervisor—the only way to learn those skills is at work.

But employers are not willing to shoulder this burden alone. It is one thing for us to say you have to get a job. It is quite another for an employer to say I want you. And our programs have to be sensitive to the needs of the employers and in a sense user friendly in our ability to put people in jobs.

I would also like to mention one thing that gets lost in the discussion frequently, the notion of male joblessness. We have a Parent Fair Share Program in Missouri, started with MDRC, to offer the same set of training and educational opportunities to the fathers of children who are on welfare that we offer to the mothers. I believe that until we move from welfare being a women's training program to include the fathers we are not truly going to reform welfare.

Last year APWA released its report, and work and the expectation of work was the centerpiece. We urge you to consider four things in terms of our capacity in Missouri and my fellow States to implement these reforms:

First, flexibility. We have to have different ways to cope in order to keep expenses down and to keep measures in place that work.

Second, the technology that allows us to track different people through different systems is very important.

Third, collaboration is very important. It is a very nice sounding word that we use frequently. I often talk about the dictionary definition of collaboration, which is the treasonous cooperation with the enemy. If you consider collaboration in that context, you understand better how it is to work at the Federal, State and local levels.

A quick example of some of the administrative complexities and the reason flexibility is so important is because of these unintended consequences of good things we try to do. In the mandated participation rates, it is unclear who must participate, who is counted and when.

I am a veteran, and I remember the debates from the Jobs Act of the 20-hour work rule and the endless arguments and discussions with the Federal Government over who is counted, how, how do you track somebody.

Say that I have to sanction somebody who has not put in 35 hours work. Say they missed it by 1 hour. I am going to have to backtrack and, under this act, identify the child and prorate that child's school lunches in order to circumscribe with the sanction.

So I have these various systems and these unintended consequences. What we want to do is sanction the parent, not put unnecessary burdens on other systems, on the education systems and on the employers as well.

As we proceed in this debate, Mr. Chairman, what I would want to leave you with is the flexibility of the States to cope with these unintended consequences and the public-private partnerships that are necessary.

We want private sector jobs. In Missouri, we are using wage supplementation, but we have found that the employers are more interested in job coaching and the mentoring, the case-management activities that Professor Mead mentioned, than they really are in the tax break or the wage supplement that allows them to raise the wage. This is instructive to us because if we are going to get people into private sector jobs we have to use the wage supplement and our job coaches, not just to create the jobs that somewhere on the margins are there but are not often there where we need them when we need them.

And, second, that we are allowed to work in some flexibility with the employers who are going to hire these people. If they are not happy with the people that we send them from the welfare system, they are not going to last, and we will see them back in the system. So we have to be user friendly with the employers, and we have to establish partnerships with some flexibility at the State level.

Thank you.

[The prepared statement follows:]

**TESTIMONY OF HON. GARY J. STANGLER  
AMERICAN PUBLIC WELFARE ASSOCIATION**

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify today on behalf of the American Public Welfare Association. My name is Gary Stangler, Director of the Missouri Department of Social Services and chair of the American Public Welfare Association's (APWA) National Council of State Human Service Administrators and a member of the APWA Task Force on Self-Sufficiency. APWA is a 64-year old nonprofit, bi-partisan organization representing all of the state human service departments as well as local public welfare agencies, and individual members.

In my testimony, I will address the issue of welfare reform and work. I'd like to note that APWA has not adopted a formal position on the Personal Responsibility Act (PRA) in its entirety. However, we are prepared to share our views on the provisions contained in Title II of the PRA, "Requiring Work," the subject of your hearing today. Our welfare reform task force, chaired by Jerry Miller Director of the Michigan Department of Social Services, is in the process of developing policy positions on the PRA and the proposals to create block grants for cash welfare, food and child care.

Mr. Chairman, there is unquestionable national consensus that the existing welfare system is broken. Not waiting for federal efforts to reform welfare, the states have, out of necessity, begun implementation of their own welfare reform projects. And state welfare reform efforts have focused principally on the goal of moving AFDC clients off of welfare and into work.

#### **State Flexibility**

More than one-half of the states are now operating welfare reform demonstration projects. While states have implemented demonstration and research projects under the AFDC and food stamp programs for several years, nothing compares to the number of state-based reforms in operation today. Twenty-three states have received approval to implement a welfare reform demonstration project in the last two years. The commitment to welfare reform at the state and local level is growing as approximately 27 waiver applications are now pending.

State human service administrators support increased state responsibility and oppose any change that would limit state flexibility to reform the current welfare system. In fact, Mr. Chairman, we call for **state-based reform** and we recommend that states be given maximum flexibility.

Through early evaluation of state welfare reform projects, state administrators already have ideas of what reforms work. Many state welfare demonstration projects currently operating are positive and are making a difference. Here are a few examples.

In my state of Missouri for example, we have several model programs that provide services and training to welfare recipients to help them find jobs and move toward self-sufficiency. Our JOBS program called FUTURES, for example provides welfare recipients with the education, training, case management and support services necessary to help them find jobs and become self-sufficient. FUTURES is overseen by an advisory committee that is a public-private partnership that designed the program with local input. In its first three years, the program has placed 240 participants in employment with an hourly wage of \$6.55, and 100 others received their GED.

Governor Mel Carnahan recognizes the difference between job skills and work skills and Missouri's efforts acknowledge those differences. Job skills are relatively straightforward and can be taught in a variety of ways and settings. Work skills are such things as showing up at work, showing up for your job on time, and getting along with coworkers and supervisors. Work skills are acquired by working. However, employers are unwilling to shoulder the burden of helping welfare recipients gain work skills alone. We know that addressing the concerns of employers, and the issue of creating enough jobs to absorb the welfare rolls will take a variety of measures with which Missouri is already experimenting, such as wage supplementation, job coaching, mentoring, and most importantly, public-private partnerships.

Under the *To Strengthen Michigan Families* statewide initiative, changes in the earned income deduction allow AFDC clients to keep the first \$200 they earn plus 20 percent of the balance without reducing their AFDC grants. Since October 1992, Michigan has seen an increase of nearly 55 percent in AFDC recipients with jobs and more than 50,000 Michigan AFDC cases have been closed as a result of income from employment. And in addition to achieving total cost neutrality, Michigan has saved more than \$100 million during the first two years of the program's implementation.

Another successful program is Ohio's Learning, Earning, and Parenting (LEAP) program, which has received national attention for its' targeting of the teenage population receiving welfare. LEAP provides a wage incentive to teen parents who attend school regularly, and induces a penalty for those who do not. The Manpower Demonstration Research Corporation (MDRC) evaluation of this program, found positive results for teens who entered the program while enrolled in school. For this population, LEAP substantially increased high school and GED completion. And there are many more examples of state welfare reforms that are working.

Many states are promoting work in ways that increase family earnings and family security. For example, 23 states have received approval or have waivers pending to modify the earned income deduction; 27 states have or plan to increase asset or resource limits; and 20 states are eliminating or plan to eliminate the 100 hour rule.

### **Task Force on Self-Sufficiency Recommendations**

Last year, APWA released its bi-partisan welfare reform proposal, Work, Responsibility, Pride the Values of Welfare Reform, that places work as a centerpiece of welfare reform. Our current proposal is based on the premise that welfare should reflect mutual responsibilities on the part of the parent and the welfare agency. When applying for AFDC the parent must sign an "Agreement of Mutual Responsibility," agreeing to enter job training, job search or work. If the parent refuses to sign the agreement, the parent would not be eligible for financial assistance.

We proposed a work program, building on the current Job Opportunities and Basic Skills (JOBS) Training program in which, within 90 days of eligibility determination, all AFDC recipients will be required to participate in mandatory job search in combination with:

- Up to a limit of two years in a JOBS career-focused education and training phase; and/or
- A JOBS mandatory work phase in which AFDC parents would be required to work in an unsubsidized private or public sector job, with CWEP available as a last resort for those who complete JOBS and are unable to locate unsubsidized work. Individuals working at least 20 hours per week are considered meeting the mandatory work requirement under our proposal.
- If, however, an AFDC client was not considered capable of entering into the JOBS program at the time of application, for example an individual who was illiterate or had a chronic substance abuse problem, that individual would be required to participate in an intensive JOBS preparation phase before entering up to two-years of education and training.

In short, there would be no exemptions from participation in JOBS under our proposal. If AFDC parents fail to comply with the plan as required, we propose a penalty reducing the family's combined AFDC and food stamp benefit by 25 percent. We believe such a penalty is realistic and necessary for any parent who fails to take his or her responsibility seriously.

Our proposal emphasizes the need for employment that results in family self-sufficiency as the successful endpoint. We underscore the preference for jobs in the private sector--the primary source of our nation's economic growth and development.

We recognize the lack of private sector jobs available today for many Americans who are poor. We therefore call for creation of a new, adequately

funded job creation strategy to support employment of low income individuals in the private sector.

### **The Personal Responsibility Act**

Mr. Chairman, as Congress considers welfare reform, we urge you to consider the administrative capacity of the states to implement these major reforms. In this area, we believe there are four key elements that warrant special attention by decision-makers. First, in shaping national policies, state flexibility in the design and implementation of welfare reform programs is necessary in order to make optimum use of agency resources. Second, we know that information technology is fundamental for state and local operations to effectively deliver services to clients, and that federal resources must be brought to bear in order that states may keep up with advances in management information technology. Next, cross-system collaboration must become a reality through interagency agreements and efforts at the federal, state and local levels. Finally, technical assistance and training are needed to design, and implement, a reformed welfare system, and we believe that the necessary federal resources should be provided.

### **Moving Individuals from Welfare to Work Under the PRA**

Title II of Personal Responsibility Act states a goal of moving adults quickly off welfare and into work. We strongly support this very important goal and emphasize that the importance of self-sufficiency remain at the center of this debate. However, we are concerned that the Personal Responsibility Act does not allow for the increased state responsibility and flexibility we see as necessary to the goal of moving people from welfare to self-sufficiency.

The Personal Responsibility Act allows states to operate a work program that is a work supplementation program, a community work experience program, or any other program that is approved by the Secretary of Health and Human Services. Individuals required to participate in the work plan must work an average of at least 35 hours per week or 30 hours plus five hours in job search. AFDC Unemployed Parent populations must work an average of 32 hours a week plus eight hours in job search for a combined cash AFDC and consolidated food assistance benefit. Participants who do not comply with work program requirements will have their cash and food assistance benefit reduced on a prorated basis. While we understand the intent of this provision, we believe that states must have the flexibility to fully develop and implement their work programs without federal proscription — including participant sanctions.

Mr. Chairman, while we support flexibility to design our own work programs, there are significant proscriptions included in this section of Title II that could potentially create major administrative burdens for states, such participant

compliance requirements mandated participation rates, and work slot requirements.

#### Mandated Participation Rate

It is unclear how the PRA seeks to define participation in a work program. We believe a state's capacity to administer their work program and meet the bill's participation requirement will be directly affected by what expectations are tied to this term. It is unclear who must participate in, and who may or may not be exempt from participating in the work program. Again, we recommend providing the states with the flexibility to establish and meet their own aggressive participation requirements.

#### Administrative Capacity

Mr. Chairman, states look forward to an opportunity to move an increasing number of aid recipients from welfare rolls to work. And each state wants to achieve maximum results. For this reason, we are deeply concerned that the Personal Responsibility Act does not appear to take into account the issue of administrative capacity to implement the proposed work program.

The enactment of the placement and administrative strictures I've mentioned, whether as part of the Personal Responsibility Act, or any other proposal -- including block grants -- will serve to tie the hands of the States as they move to enhance their welfare to work efforts. It is critical that States be free to set and meet challenging participation rates for their work programs. It is also critical that states have the administrative capacity to meet their goal. For example:

- If a State must sanction a parent for noncompliance with its work program, — say for participating for an hour or two less than the required work rate — it would be faced with tracking down the parent's child in school to prorate how much of his school lunch should be eliminated. It appears that states will have to make daily and weekly calculations based upon this type of situation.
- If a recipient is working in a 25 hour a week slot, it appears that the state will have to create a 10 hour slot in order to make the 35 hour requirement. This situation proves administratively burdensome because of the State's responsibility to meet the requirements of the Personal Responsibility Act, the needs of the employer, and the needs of the client, which include transportation and childcare.

The cost of creating work slots is a real consideration. We cannot emphasize enough the cost of moving people into work, and the need to ensure adequate support to states to achieve this worthy goal. Under the Personal

Responsibility Act, we foresee barriers to adequate funding that may hinder states from meeting the bill's required participation rates.

- While there is authorized increased funding to States for the work program until FY 2000, there is no increased funding authorized beyond when states' participation rates are expected to increase to 50 percent by the year 2003.
- The Congressional Budget Office estimated in 1993 that for a similar measure, H.R. 3500, the cost per slot of a 35 hour work week would be \$6300 by 1999.

We also wish to express our concern over the October 1, 1995 effective date of the Personal Responsibility Act. States will face serious issues in implementing their work program requirements and trying to reach the bill's participation rates.

Finally Mr. Chairman, we are eager to continue our work in moving individuals and families into work and toward self-sufficiency. We appreciate this opportunity to share our views with you today, and stand ready to work with you and the members of this subcommittee in the future.

Thank you again, Mr. Chairman for the opportunity to testify today. I would be happy to answer any questions you may have.



Chairman SHAW. Ms. Rogers.

**STATEMENT OF J. JEAN ROGERS, ADMINISTRATOR, DIVISION OF ECONOMIC SUPPORT, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, MADISON, WISCONSIN**

Ms. ROGERS. Thank you, Mr. Chairman. Good morning.

On behalf of my Governor Thompson, I want to thank you for the opportunity to address this Committee regarding our JOBS Program and welfare reform in general in Wisconsin.

We started our work focus by implementing the Work Experience and Job Training experience in 1987. That was the year Governor Thompson first took office. The Family Support Act followed 2 years later, and part of that was patterned after Wisconsin's experiences.

We run a comprehensive JOBS Program in Wisconsin. It runs in all 72 of our counties and 11 tribal reservations. We spend over \$50 million a year on the JOBS Program, and for us that means we capture 100 percent of our Federal funding allocation.

In 1993, 69,076 individuals were enrolled in our JOBS Program. That is a monthly average of about 39,000. Twenty-one percent of these enrollees entered employment, most of them full time, but retention is just as important to us as job placement. In fact, 73 percent of our full-time placements were still on the job 6 months later. The average wage for starting for full-time JOBS participants is almost \$6 an hour, \$5.99 to be exact.

Our guiding philosophy is centered on independence. When a person makes their initial entry into one of our offices, the very first activity should be reviewing their personal options and a discussion of how they might be better off not applying for welfare at all.

We have begun a very successful initiative called Work First which operates under this very philosophy. Once a determination has been made that a person needs to receive assistance, that individual should be placed immediately in challenging employment activities, we believe, and this activity needs to simulate the real world of work as closely as possible. Employers say that a positive attitude and good work habits are the most important characteristics they seek in new workers.

On a similar note, I feel that we should provide compensation to our participants in direct proportion to the number of hours they work. This pay-for-performance concept makes a welfare check look a lot more like a paycheck. We intend to submit a Federal waiver application to allow for this very provision in Wisconsin in the near future.

Another characteristic of effective programs is that they do not hold participants out of early entry into the labor market in order to complete educational activities. In fact, we are more than twice as successful at placing individuals in employment after participation in subsidized employment with a private company than we are in placing individuals who have participated in any educational component.

In terms of administration, I think the biggest challenge we face is the failure of large cities' JOBS Programs to respond properly to uncooperative clients. In Milwaukee, more than half of all JOBS

mandatories fail to show up for the initial job appointment. We need to send the message that this is unacceptable and level more severe penalties than simply a reduction in an AFDC check made up in large part by an increase in food stamps.

Our strategy that we have used to inspire greater productivity from the six JOBS operators in Milwaukee is through competition model. Until last year, each of our agencies in Milwaukee was paid on the basis of process and not on whether or not they met any particular performance criteria. This is a very common method of payment.

This year, we awarded points for employment and divided the agencies into two teams. The result: full-time employment increased by 38 percent and part-time employment increased by 29 percent in the first 6 months of operation.

Finally, we need to transform the culture of the welfare office by mobilizing the bureaucracy to help individuals in need find alternatives to welfare, and that must begin the first day they call. That was affirmed by a long-time economic support worker who said, "Gosh, I love this. I even feel better about myself now that I am not just handing out checks anymore." She was referring to her new role as a financial planner.

Rather than simply determining eligibility, we are now asking our staff to say: "How can we help you from needing welfare?" rather than: "Here is your check." "We should have been doing this all along," she said to me. "I didn't think we were supposed to."

In Wisconsin, we now know we are supposed to.

Thank you for the chance to share the Wisconsin perspective today.

[The prepared statement follows:]

TESTIMONY OF J. JEAN ROGERS  
STATE OF WISCONSIN DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Good morning. My name is Jean Rogers and I am the Administrator of the Division of Economic Support at the Wisconsin Department of Health and Social Services. On behalf of Governor Thompson, I would like to thank you for the opportunity to address this committee regarding the JOBS program in Wisconsin. It is truly an honor to be here.

My Division is responsible for administering the welfare programs in Wisconsin, including the JOBS program. Employment and training programs form the foundation of our welfare reform efforts. Our successes have led to a 25 percent decrease in our caseloads since 1987, while the national average has been a 35 percent increase over the same time period.

We started our work focus by implementing the Work Experience and Job Training (WEJT) program in 1987, the year Tommy Thompson first took office. The Family Support Act followed two years later, patterned after Wisconsin's programs. Wisconsin runs a comprehensive JOBS program in all 72 Wisconsin counties and on our 11 tribal reservations. The state spends \$22 million a year on JOBS, just under half of the total program expenditure of \$50 million -- capturing all of our federal allocation.

In 1993, 69,076 individuals were enrolled in JOBS, a monthly average of 39,321. Over 14,000 of these enrollees, or 21 percent of the total, had an entered enrollment that year -- 63 percent of the employments being full-time. Of these full-time employments, 73 percent were either working and off assistance or working and receiving reduced benefits six months after entering employment. The average wage for our full-time JOBS participants is almost \$6 an hour.

One of the most debilitating aspects of welfare dependency is the inactivity associated with being a recipient. When cash assistance operates as an alternative to work, it dampens the urgency with which recipients view the world of work.

So the first mission of any effective JOBS program is to engage the participant immediately in challenging activities. Participants need to understand that finding employment is an integral, positive and permanent aspect of the welfare experience.

JOBS programs should immediately enroll all eligible recipients in active components of the program. As an example, Sheboygan County makes sure that individuals are enrolled in JOBS within a few days after becoming eligible. They then move directly into supervised job seeking where fully 40 percent of them find employment before receiving the first check [Source: work first pilot data].

Participating in JOBS should parallel the conditions of work as closely as possible. Employers say that a positive attitude and good work habits are the most important characteristic they seek in new workers. This means that regular participant attendance should be taken very seriously by both the individual and the agency. Systems need to be in place so that non-attendance brings an immediate response from the agency. In addition, the time of participation should parallel as closely as possible that of full-time employment, or

40 hours per week, referred to as a "simulated work week." This concentrates employment preparation activities while getting the participant used to the rhythm of a full work week.

One of the mistakes of the Family Support Act, in my view, is that Congress failed to provide for welfare checks to be issued in direct proportion to the hours of JOBS activity successfully completed, referred to as "pay for performance." We intend to submit a waiver to allow for this provision in Wisconsin. It will make a welfare check look more like a paycheck - - just as in the workplace if you don't work, you don't get paid. The same should be true for JOBS activities.

This brings me to an ongoing challenge in managing the JOBS program. The truth is that, in Milwaukee, and based on conversations with colleagues this is true in every large city, more than half of welfare recipients who are called in to enroll in JOBS fail to show up for their initial appointments.

JOBS agencies respond to this inability to get people into the program, or to attend scheduled activities in two ways. First, they can sanction them. But while the current sanction penalty in Wisconsin reduces the benefit for a family of three from \$517 to \$440 per month, food stamps are actually increased as a result of the sanction in AFDC - making up about a third of the initial reduction. Therefore, sanctions are small and frequently ignored by recipients.

The second way to handle the difficulty of getting unwilling individuals to participate is, quite frankly, to ignore them in favor of those more willing. Large urban programs seem to be either less willing or have more difficulty than do smaller programs in keeping track of participants and assuring that they are fully engaged in the program. The result is that most large urban JOBS programs devalue into voluntary programs. This is not the best way to achieve employment results or let people know we are serious about the rules of participation. The word gets out quickly that "no show" is tolerated, and consequences are light or nonexistent as the problem feeds itself.

We are taking steps to assure that we run a JOBS program in Milwaukee that's just as aggressive as we have in the rest of the state. In order to do so we introduced competitive performance standards to Milwaukee last year.

Here's a little history.

Until last year, we funded the six major providers of employment and training services independently. These six providers included four community based organizations, the county, and Job Service. In the past, each agency was paid whether or not they achieved the employment results we expected.

Beginning last year, the six providers were grouped into two teams and required to compete with one another for the following year's funds. JOBS participants were assigned randomly to each team by social security number. Then, each team was awarded two or four points, for respectively, part or full-time jobs obtained by any of its members.

Not only did this result in an explosion of new activity directed at employment, but the grouping of providers into teams allowed for greater specialization and cooperation within each team. The results speak for themselves. Compared to the year prior, the total number of full or part-time entered employments jumped by 29 percent, and full-time entered employments increased by an astonishing 38 percent. The lesson is that performance standards tied to funding will focus the attention of JOBS agencies like nothing else -- on employment where it belongs.

Another characteristic of effective programs is that they do not hold participants out of early entry into the labor market so as to complete extended education or other activities. The research evidence, as well as our own experience, conclusively show that it is more effective to engage a participant in the labor market as soon as possible. To those who argue that employment stability is enhanced by more extended training for higher entered wages, I say this: that by and large employers hire \$10 per hour employees from the ranks of successful \$6 per hour employees, not those who have completed a government training program with no actual work experience.

Our own data indicates the value of work component and short-term training over extended educational activity. For instance, it was more than twice as likely that individuals who obtained employment through the JOBS program in 1993 had prior participation in job search, CWEP, or short-term skills training than had participated in post-secondary education of three or four years.

One of the special strengths of Wisconsin's success in reducing dependency on AFDC is that we never stop looking for ways to improve our approach.

Recently, we have begun using the JOBS program to initiate deep cultural changes within the welfare bureaucracy. Why not try to mobilize the welfare system itself to help people avoid dependency altogether before they receive their first check?

Our Work First initiative engages former welfare eligibility workers in helping potential applicants review their personal options and discover why they are better off *not* applying for welfare. These workers, newly identified as "financial planners," enter into one hour problem solving discussions to help the potential applicants see the future through alternatives such as immediate employment, alternative support from family, friends or charity, and if necessary, temporary bridge loans. Of those who decide to apply for AFDC after talking to the financial planner, intensive job search is required for the 30 day period while the application is pending, with the hope that welfare will become unnecessary before the first check is received.

Work First has allowed the welfare staff to view themselves as agents of self-help, not dependency. The early results from seven pilot counties have exceeded our expectations: of all of those who inquire about AFDC assistance in Work First sites, fully 85 percent decide not to apply after talking with the financial planner. And of those that do apply, another half drop their application before receiving their first check, with newly found employment being the most frequent reason.

The success of this initiative was demonstrated in an ABC Nightly News feature that aired on January 13th. Included in that piece was an interview with a woman who came to the Grant County Department of Human Services to apply for assistance.

This applicant commented after meeting with staff that she has never been treated with such dignity at a welfare office. Wisconsin was the third state in which she has sought economic support. While she came interested in applying for assistance, she told the staff she was more interested in work than a hand out.

The result? She left that day with three scheduled job interviews and a lot of hope.

In order to maximize the impact of JOBS, universal participation should be the norm. We see over and over that to the greater the extent the program reaches out to touch everyone who is eligible, the greater the net results. Remember, many involved in JOBS will find employment on their own. But it is precisely those who are not sufficiently motivated to volunteer for JOBS, or to stick with regular JOBS activity, that are least likely to find a job on their own. These are the ones who benefit most by aggressive JOBS outreach and follow-up.

In Wisconsin, all individuals eligible for JOBS must enroll, and we are pushing our local program operators, through performance standards, to engage more and more of these folks in active components.

So, the lessons from the Wisconsin JOBS program regarding how to best serve people who come to us for help can be summed up in 6 objectives:

- Make self-sufficiency through employment the immediate and ongoing goal of those receiving temporary welfare assistance;
- Strive for universal participation in challenging activities;
- Have measurement systems set up to track individual progress and assure participation;
- Get programs focused on early employment using job search, work experience and short-term occupational skills training, while de-emphasizing remedial and post-secondary education;
- Make funding of JOBS program operators dependent on performance, and encourage healthy competition among JOBS providers and among local programs; and

Last, and perhaps most important of all...

- Transform the culture of the welfare office by mobilizing the workers to help the folks who come to them find alternatives to welfare.

Many counties in Wisconsin adopt these objectives in their JOBS programs, but I would like to close my remarks by telling you about one. Sheboygan is a medium-size county in east central Wisconsin, and it holds the second highest level of persons active or working in the state at 79 percent.

Eighty-five (85) percent of those who found full-time employment were either employed or still off AFDC after six months, again the second highest level in the state.

This past December, while a visitor came to study the secrets of Sheboygan's success, staff pulled the tickler file of one of their newer provider agency staff. Of the 152 persons she had worked with:

- ✓ 115 had closed AFDC cases,
- ✓ 24 had full-time jobs but were still on AFDC,
- ✓ 8 had part-time employment,
- ✓ 2 were in job search,
- ✓ 2 were in remedial education, and
- ✓ 1 was in post-secondary education and work study.

Of these 152 cases in a new staffer's caseload, 96 percent were self-sufficient or working.

Sheboygan staff believe that their success is built on the premise that **PEOPLE ARE BETTER OFF WORKING**. How do they get them in the workplace and help them achieve once they are in a job? By creating a sense of urgency and ownership. They tell their clients that they are able and the time to do it is now

Getting people off welfare and into jobs is the best social service that we can provide our clients. The participants of our welfare system deserve the chance to prove their self worth and their children need working role models to bring hope and opportunity to their own condition.

Thank you for the chance to share the Wisconsin perspective with you today. I will be pleased to answer any questions you might have.

Chairman SHAW. Thank you.  
Mr. Hobbs.

**STATEMENT OF CHARLES D. HOBBS, SENIOR FELLOW,  
AMERICAN INSTITUTE FOR FULL EMPLOYMENT,  
WASHINGTON, DC**

Mr. HOBBS. Thank you for the invitation to testify, and I am pleased to be in such good company with these people who are at the frontline of welfare reform around the country.

I represent the American Institute for Full Employment, a new nonprofit institute founded to assist the States in doing welfare-to-work programs, specifically programs that involve subsidized employment as a transitional bridge from welfare to work. I would like to extend my comments that you have in writing on a few major points.

First, as hard as it may seem for you to do, I think it is necessary for you to consider people who need public assistance as individuals rather than groups. We have spent 30 years putting people in boxes and trying to design programs to fit the boxes. We need to provide an opportunity on an individual basis for people to make the best of their lives, and the public assistance system should be an aid to that.

Second, I believe we should be talking about welfare replacement rather than welfare reform. We have had enough welfare reforms in the last 30 years that have turned out to be expansions and dependency kinds of expansions that have left us worse off than we were before.

The full employment program is a mandatory work program that provides full-time jobs. It provides full-time jobs. It provides jobs before people get additional training or additional education, and it covers AFDC, food stamps and unemployment beneficiaries. It is an OJT program.

The jobs are training programs provided by private and public sector employers and are meant to transition people from nonwork into regular employment, unsubsidized employment. It is a subsidized wage program. The employer receives the full wage costs of a minimum wage job—that is, the minimum wage itself plus the FICA contribution to the employer and the worker's compensation and unemployment insurance payments and taxes. It is a public-private partnership program.

The bulk of the work job development is in the private sector. And the private sector has organized in Oregon the effort to find jobs to go in this program, and it is potentially a job creation program in that the employers who are offering these subsidized jobs are asked to offer jobs that they feel that if a person works out in that job will end up to be an additional job in their enterprise, whether private or public sector, and therefore provide more work for more people over a period of time.

There are four points that I would like to make about what I think needs to go in the welfare reform program done by the Federal Government. First, I think the Federal Government needs to get out of the way, particularly with regard to program design and operation.



Oregon is now testing the full employment program, and it took 1 year from the time it came forward to get the waivers from the Federal Government to undertake this program, and it took some significant nudges from the Oregon congressional delegation on top of that.

The best vehicle for carrying out a welfare replacement program, in my opinion, is the block grant vehicle. Lacking that, certainly a great extension and expansion of the waiver authority of the States to get waivers and the Federal authority to grant waivers should be put into effect.

Second, there has to be heavy emphasis on the private sector because that is where the jobs are. Congressman Rangel asked about jobs availability. Let me just give you the Oregon example.

Two months into the program Oregon started November 1 with six counties—two large, two medium, two small counties—the private sector itself has been able to identify and get committed to this program 1,624 jobs and 683 employers from a standing start on November 1. Unfortunately, the Oregon Adult Family Services Division has only been able to place 53 people in those jobs so far, so they are running to catch up. The jobs are available out there and in the private sector.

As another example, I have talked with private staffing companies around the country, national in scope, who tell me that in almost every area of the country they are looking at being able to only fill only 6 out of every 10 jobs employers give them to fill. They can use 4 more workers for every 10 jobs right now.

Third, participants must do better in any welfare reform system. The chart included in my written testimony shows how that can work.

There is nothing wrong with a full-time minimum wage job in this society, and it will get people not only out of welfare but also out of poverty.

Right now, in Oregon a combination of AFDC and food stamps provides \$750 in benefits. A full employment program or Jobs Plus jobs will raise that to \$962 a month. This is for a mother and two kids. If that person then goes into a regular unsubsidized minimum wage job they then get EITC and the food stamps increased to the point where they are at \$1,069. If they get up to the average placement figure for jobs in Oregon at \$6 an hour, when you count in the food stamps and the EITC they are at \$1,177, which puts them above the poverty level in that State.

This is a stepping-stone transition out of welfare which it seems to me is essential to any welfare replacement. We cannot expect people to go to work and continue on that career if we are going to have fallbacks to doing worse than they did before or worse than they did on welfare.

Finally, I think it is imperative that you act now in a bipartisan effort. The full employment program is now being tested in Oregon and waivers granted to Mississippi, two States that I think are about as far apart in the political spectrum as you can get. This is a program that does appeal to bipartisan support, and it is a program which I feel has a good chance of being a major solution to the problem of welfare.

[The prepared statement and attachments follow:]

TESTIMONY\* OF  
CHARLES D. HOBBS  
AMERICAN INSTITUTE FOR FULL EMPLOYMENT

TO

SUBCOMMITTEE ON HUMAN RESOURCES,  
COMMITTEE ON WAYS AND MEANS,  
U.S. HOUSE OF REPRESENTATIVES

January 23, 1995

Principles of Welfare Replacement

As the president has rightly stated, it's time to end welfare as we know it. It's also time to end welfare reform as we have come to know it: the constant expansion and proliferation of wasteful and ineffective federal programs that have drained our economy, weakened our social structure, and left too many of our citizens dependent and unproductive.

—It is time, not merely to reform welfare, but to replace it. What is needed is not another welfare expansion masquerading as reform, but a replacement process through which welfare dependency can be reduced and kept to an irreducible minimum. What is needed is a comprehensive and systematic effort to bring the wards of the welfare state into the mainstream of American life, where work for pay and stable families are the legitimate sources of self-esteem.

To accomplish this new mission, the welfare replacement process must meet four critical tests:

- Does it reduce dependency on welfare by increasing the ability of those who seek public assistance to support themselves?
- Does it promote the development of strong and self-reliant families and communities through increased personal responsibility and economic capacity?
- Does it reduce bureaucracy and curb the perverse incentives and unresponsive organizations which characterize the current welfare system?

\* Parts of this testimony were abstracted from "Let's Get Back to Work", by Charles D. Hobbs, in *Commonsense*, Vol. 1, No. 3, Summer, 1994, pp. 48-57.

- Does it reduce costs by reducing the need for welfare, and by cutting the waste of a welfare system designed, not to reduce poverty, but to support a \$300 billion a year welfare industry?

The process that meets these tests must replace welfare with work for those who seek public assistance for themselves and their children. The assumption should be made that all families are capable of some degree of self-support through work, and that both custodial and non-custodial parents have a responsibility to work to support their children. The welfare replacement process should:

- require and assist those who can hold down regular jobs to find and take them,
- require and assign those who cannot find regular jobs to work in training-oriented, subsidized jobs until they can find regular work,
- insure that subsidized jobs provide more spendable income than welfare, and that regular work provides more spendable income than subsidized jobs,
- stress private sector employment , and
- control costs by funding welfare replacement activities from combinations of existing welfare benefit streams.

The goal should be a regular job or a training-oriented subsidized job for every family seeking public assistance. Meeting this goal will produce steady and dramatic decreases in welfare caseloads and costs, and enormous gains in economic self-reliance and growth opportunities for low-income families.

#### Development of the Full Employment Concept

Welfare industry advocates have always maintained that such a program is not possible: welfare recipients aren't ready to work, jobs aren't available, and any work program will entail huge additional costs. Yet just such a program has recently been enacted into law in three states -- Oregon, Mississippi, and Arizona -- and is under active consideration in several others. Full-scale testing of the program began in Oregon in November, 1994.

The Full Employment Program is the brainchild of Dick Wendt, founder and CEO of Jeld-Wen, a large door and window manufacturing firm headquartered in Klamath Falls, Oregon. Considering the problems of poverty and unemployment, and unencumbered by welfare state preconceptions of the incapacities of the poor, Wendt concluded that what any poor family needed most was the opportunity to gain,

through work, the self-respect, experience, and reputation for dependability that would lead to long-term employment and economic security. How could this opportunity be provided? By converting welfare and unemployment benefits to real wages for real work.

The Oregon Full Employment Program was first enacted into law by popular ballot initiative (Measure 7) in November, 1990. It took almost three years for a cautious governor and legislature to agree on implementation details, and another year to obtain the necessary federal waivers from a reluctant federal bureaucracy. Oregon calls its version of the Full Employment Program "JOBS Plus" to highlight its expansion of participation in work compared to the federal JOBS Program.

JOBS Plus combines federal and state cash welfare, food stamp, and unemployment benefit funds to reimburse the wage costs of employers willing to employ and train public assistance recipients unable to find regular jobs. Emphasis is placed on recruitment of private sector employers, and priority for job placement goes to those for whom work will directly reduce welfare dependency, including both custodial and non-custodial parents of a welfare child. JOBS Plus jobs are stepping stones to regular jobs: spendable income from the JOBS Plus wage, combined with the Earned Income Tax Credit, is more than welfare benefits, but less than spendable income from an unsubsidized job -- even an unsubsidized job at minimum wage. In JOBS Plus child care is guaranteed, if needed, and Medicaid is available to meet health care needs. Teenagers are exempt from participation until they complete high school or drop out.

If JOBS Plus sounds like a good deal for participants, that's because it is: more spendable income, work recognized as valuable, and experience likely to lead to a regular job. On the other hand, for the vast majority of welfare recipients, JOBS Plus is, realistically, the *only* deal worth considering. Those who refuse to take JOBS Plus jobs lose more than a third of the spendable income available to those who decide to take them. Other states considering the program hope to enforce even stiffer sanctions, including making participation in a Full Employment Program job a condition of eligibility for any public assistance.

The total work orientation of the Full Employment Program transforms the concept of public assistance from a handout that promotes dependency to a wage for work that leads to self-support. The administration of public assistance also should be transformed. Proven private sector job development and placement techniques can and, in most cases, should replace the bureaucratic processes of the welfare industry. Private employment and temporary staffing agencies have the experience and motivation to screen and place people in jobs with a future. Referrals to such agencies would be made more effectively by grass roots organizations, such as public housing resident management associations, neighborhood development corporations, and church-based family improvement organizations. To the extent possible, job

placement fees should be collected from employers rather than government, thus reducing program costs as well as the power of the welfare industry to bend the program to its own purposes. Added child care costs should be met through a child care apprenticeship program involving Full Employment participants themselves.

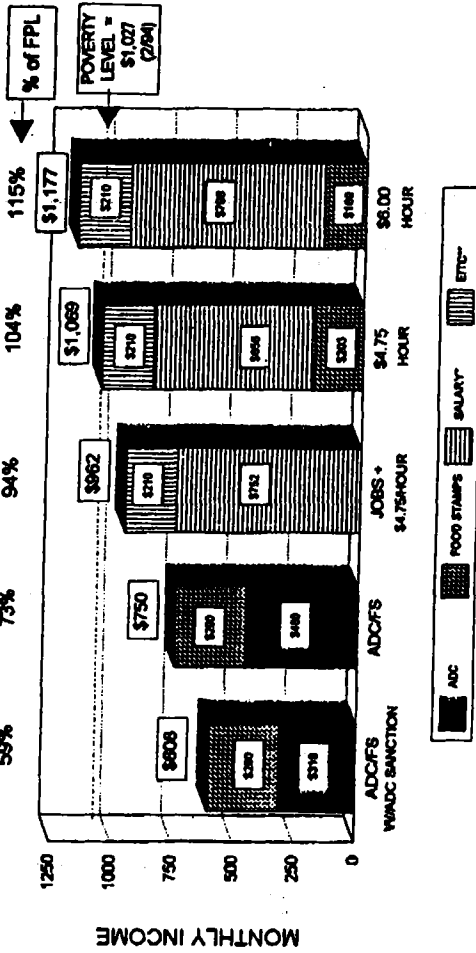
One of the complaints of welfare advocates who oppose welfare-to-work is that there are too few jobs available to carry out an effective program. Oregon's JOBS Plus, in its first two months of operation, has already silenced that debate: 683 employers have offered to employ 1,624 JOBS-Plus participants in the six test counties. Based on that extraordinary response, Oregon is now considering statewide implementation and an expedited placement process.

### The Potential Impact of Full Employment

What impact will the Full Employment Program have on the social disintegration fostered, or at least abetted, by welfare? For one thing, having welfare-supported babies will become much less appealing, since the parent or parents will not receive public assistance unless they work, and their wages will not go up just because they have another child. For another thing, children will not grow up in homes in which the father has been replaced by the government and the mother is supported in indolence. For still another, the discounted and easily laundered currency that food stamps represent to the drug trade will dry up. Finally, the productive effort of those people whom welfare has shut out of the economic mainstream will surely benefit their families and neighborhoods, as well as the nation's economy.

OREGON

# WELFARE / WORK / JOBS PLUS SPENDABLE INCOME FOR 1 ADULT & TWO CHILDREN



NETPMSA

\*SALARY = GROSS WAGES MINUS TAXES, FICA, CHILD CARE COSTS AND 4.5% MISCELLANEOUS EXPENSES  
\*ETC = EARNED INCOME TAX CREDIT. ETC IS AVAILABLE IN MONTHLY PAYCHECKS. EARNINGS ARE AVAILABLE AS A REFUNDABLE TAX CREDIT AT THE END OF THE YEAR. THIS CHART DISPLAYS THE FULL ETC AMOUNT. CHART INCLUDES CHILD CARE COSTS OF \$88 PER MONTH.

Thru 1-13-85

## OREGON JOBS-PLUS STATUS ACTIVITY REPORT

	ADC-B	ADC-JN	UI	TOTAL	EMPLOYERS	JOBS	PLACEMENTS
Baker	190	22	190	402	20	30	6
Clackamas	1,524	53	2,397	3,974	194	424	18
Ogilliam	16	2	21	39	9	13	
Lincoln	535	27	500	1,062	90	198	8
Maitheur	397	18	274	689	41	147	11
Washington	2,062	130	2,892	5,104	329	814	10
Total	4,744	252	6,274	11,270	693	1,824	53

Chairman SHAW. Senator Martin.

**STATEMENT OF HON. STEPHEN H. MARTIN, STATE SENATOR, COMMONWEALTH OF VIRGINIA; AND CHAIRMAN, TASK FORCE ON EMPOWERMENT, OPPORTUNITY AND URBAN POVERTY, AMERICAN LEGISLATIVE EXCHANGE COUNCIL**

Mr. MARTIN. Thank you for this opportunity to represent the American Legislative Exchange Council as its Virginia State chairman and as chairman of the Task Force on Empowerment, Opportunity and Urban Poverty.

I am also a member of Virginia's Governor George Allen's Commission on Citizen Empowerment. In May of last year Governor Allen appointed the commission to develop recommendations for welfare reform in the Commonwealth. Today, 8 months later, Governor Allen is advancing that welfare reform plan which we believe is the most comprehensive system in the country, transforming a system of dependency and despair to one of hope and opportunity.

We believe that the key to successful reform is in the participation of the entire community—businesses, churches, synagogues, schools, civic associations and families—and providing opportunities for those in need. We believe that breaking the cycle of dependency begins not with government but with the family.

At the top of the list of tools is education. It is unreasonable to expect that opportunity will knock on the doors of those who lack even basic communication and social skills. An employee who cannot read an invoice or multiply the numbers on it will not hold his job for long. For this person the answer is not job training. The answer is basic academics.

In Virginia, we will require parents who want to continue receiving benefits for their children to ensure their attendance in school. Additionally, we will step up our family literacy initiatives, both public and private, to combat reading deficiencies. And, finally, through the Governor's Champion Schools Initiative, we will strengthen Virginia's schools as places of learning and academic excellence.

The second tool needed for self-reliance is gainful employment. Work is essential to achieve financial security and move upward, but having a job provides a person more than just a paycheck. It gives him a sense of purpose and responsibility. It makes him a role model for his family and compels him to contribute in their enhancement and their success.

Our reform initiative in Virginia is aimed at producing able-bodied public assistance recipients with employment that will enable them to become self-reliant. I traveled around the Commonwealth last year meeting with and talking with many welfare recipients. I cannot recall ever being told that what people on welfare wanted was more welfare, more bureaucracy and more dependency. What they wanted is help, temporary help getting on their feet.

So in Virginia we will work with public assistance recipients for 2 years to help them develop the skills they need to be independent. While they are receiving benefits, able-bodied Virginians will also receive supplemental education, life skills training and—most important—job experience which will move them into the working



community. After 2 years, they will move from welfare to self-reliance as employees in private sector, unsubsidized jobs.

In addition to receiving 2 years of public assistance benefits while gaining job experience and training, they will receive 1 year of transitional benefits, including child care, transportation and medical care. These benefits are designed to make the transition to the working community smoother for former recipients and their families.

This approach gives people options which help them make positive decisions for themselves and their families. It removes perverse incentives which result in family disintegration and destructive behavior.

There is something very wrong with the fact that our government is, in effect, inducing its most vulnerable citizens to make self-destructive, demoralizing decisions. We must craft welfare programs that give people the incentive to choose work over welfare.

The States are innovators in this, as in so many other public policy areas, as we are provided the freedom to be so. Some of these innovations include enforcing child support by requiring establishment of paternity, allowing recipients to accumulate a modest amount of income in savings or business incubation, requiring school attendance of children of AFDC recipients, packaging food stamps and AFDC benefits in the form of cash which is used to subsidize private sector jobs and denying additional benefits for additional children born 10 or more months after initial eligibility. These reforms serve to properly orient incentives in the welfare system.

How do these lessons impact on Federal policy?

First, I believe that you must hear the message that the States do care about those in need. Federal policy too often has been developed to meet needs that you believed we were neglecting. By making such an assumption, the Federal Government often reaches beyond its constitutionally prescribed powers, establishing a counterproductive adversarial relationship with the States, missing out on the opportunity to benefit from State public policy innovation and competition, and inevitably ends up micromanaging the delivery of services to those who qualify.

Some have suggested establishing Federal requirements which attach strings to the disbursement of funds, but this still assumes that the States need to be told what to do because we cannot figure it out for ourselves. It also assumes that what works in Montana will work in New Jersey. Both assumptions are false.

Some have suggested disbursing money in block grants, but allocation formulas distort the procedures States must use to determine priorities. By allocating funds based on each State's poverty rate, the Federal Government removes the State's incentive to reduce poverty.

Matching fund formulas are even worse. They set up situations in which States can make money by spending money without regard for whether such programs are working. This distortion placed on our budget process damages our effort to properly determine our States' priorities.

The ultimate goal should be to phase out the Federal role in delivering welfare services. In the meantime, Federal aid should take

the form of block grants distributed according to a formula based on population but not be tied to a State match, and States should be granted maximum freedom and discretion to develop their own programs. For once, I recommend that Federal lawmakers assume their State counterparts know what they are doing.

Again, I want to thank you for this opportunity to speak with you.

[The prepared statement follows:]

**TESTIMONY OF HON. STEPHEN H. MARTIN  
STATE SENATOR, COMMONWEALTH OF VIRGINIA**

THANK YOU FOR THE OPPORTUNITY TO ADDRESS THE HOUSE WAYS AND MEANS COMMITTEE. MY NAME IS STEVE MARTIN. I AM A STATE SENATOR FROM VIRGINIA AND A MEMBER OF THE AMERICAN LEGISLATIVE EXCHANGE COUNCIL, BETTER KNOWN AS ALEC.

ALEC IS THE NATION'S LARGEST INDIVIDUAL MEMBERSHIP ORGANIZATION OF STATE LEGISLATORS WITH OVER 2,500 DEMOCRAT AND REPUBLICAN MEMBERS. I AM ALEC'S VIRGINIA STATE CHAIRMAN AND THE CHAIRMAN OF THE ALEC TASK FORCE ON EMPOWERMENT, OPPORTUNITY AND URBAN POVERTY. MY TASK FORCE IS COMPOSED OF STATE LEGISLATORS FROM ALL FIFTY STATES AND ADVISORS FROM THE PUBLIC POLICY COMMUNITY.

CLOSER TO HOME, I AM A MEMBER OF GOVERNOR GEORGE ALLEN'S COMMISSION ON CITIZEN EMPOWERMENT.

IN MAY OF LAST YEAR, GOVERNOR ALLEN APPOINTED THIS COMMISSION TO DEVELOP RECOMMENDATIONS FOR WELFARE REFORM IN THE COMMONWEALTH OF VIRGINIA. TODAY, NEARLY EIGHT MONTHS LATER, GOVERNOR ALLEN HAS A WELFARE REFORM PLAN WHICH WE BELIEVE IS THE MOST COMPREHENSIVE IN THE COUNTRY, TRANSFORMING A SYSTEM OF DEPENDENCY AND DESPAIR INTO ONE OF HOPE AND OPPORTUNITY.

I AM HERE TODAY TO TELL YOU ABOUT OUR EXPERIENCE IN VIRGINIA, AND OFFER OUR APPROACH AS ONE THAT COULD BE EASILY DUPLICATED ACROSS THE COUNTRY.

THE KEY TO SUCCESSFUL REFORM IS IN THE PARTICIPATION OF THE ENTIRE COMMUNITY -- BUSINESSES, CHURCHES, SYNAGOGUES, SCHOOLS, CIVIC ORGANIZATIONS AND FAMILIES -- IN PROVIDING OPPORTUNITIES FOR THOSE IN NEED. WE BELIEVE THAT BREAKING THE CYCLE OF DEPENDENCY BEGINS NOT WITH GOVERNMENT, BUT WITH THE FAMILY.

THIS MEANS THAT GOVERNMENT MUST RETHINK ITS APPROACH TO WELFARE AND POVERTY, PROVIDING PEOPLE WITH THE RUDIMENTARY TOOLS THEY NEED TO BECOME SELF-RELIANT.

AT THE TOP OF THIS LIST OF TOOLS IS EDUCATION. IT IS IMPOSSIBLE FOR US TO EXPECT THAT OPPORTUNITY WILL KNOCK ON THE DOORS OF THOSE WHO LACK EVEN BASIC COMMUNICATION AND SOCIAL SKILLS. AN EMPLOYEE WHO CANNOT READ AN INVOICE OR MULTIPLY THE NUMBERS ON IT WILL NOT HOLD HIS JOB LONG. FOR THIS PERSON, THE ANSWER IS NOT "JOB TRAINING." THE ANSWER IS BASIC ACADEMICS. WE CAN NO LONGER AFFORD TO GRADUATE STUDENTS WHO HEAD TOWARD THE JOB MARKET UNABLE TO READ THEIR DIPLOMAS.

IN VIRGINIA, WE WILL REQUIRE PARENTS WHO WANT TO CONTINUE RECEIVING BENEFITS FOR THEIR CHILDREN TO ENSURE THEIR ATTENDANCE IN SCHOOL. ADDITIONALLY, WE WILL STEP UP OUR FAMILY LITERACY INITIATIVES, BOTH PUBLIC AND PRIVATE, TO COMBAT READING DEFICIENCIES. AND FINALLY, THROUGH THE GOVERNOR'S CHAMPION SCHOOLS INITIATIVE, WE WILL BEGIN TO MAKE VIRGINIA'S SCHOOLS PLACES OF LEARNING AND ACADEMIC EXCELLENCE.

THE SECOND TOOL NEEDED FOR SELF-RELIANCE IS GAINFUL EMPLOYMENT. WORK IS ESSENTIAL TO ACHIEVE FINANCIAL SECURITY AND MOVE UPWARD INTO THE MIDDLE CLASS. BUT HAVING A JOB PROVIDES A PERSON MORE THAN JUST A PAYCHECK. IT GIVES HIM A SENSE OF PURPOSE AND RESPONSIBILITY. IT MAKES HIM A ROLE MODEL FOR HIS FAMILY AND COMMUNITY AND COMPELS HIM TO CONTRIBUTE TO THEIR ENHANCEMENT AND SUCCESS. AND IT GIVES HIM VALUES AND ETHICS WHICH HE PASSES ON TO HIS CHILDREN.

OUR REFORM INITIATIVE IN VIRGINIA IS CALLED WELFARE TO WORK, AND IT IS AIMED AT PROVIDING ABLE-BODIED PUBLIC ASSISTANCE RECIPIENTS WITH EMPLOYMENT THAT WILL ENABLE THEM TO BECOME SELF-RELIANT. I TRAVELED AROUND THE COMMONWEALTH OF VIRGINIA MEETING WITH AND TALKING TO MANY WELFARE RECIPIENTS. I CANNOT RECALL EVER BEING TOLD THAT WHAT PEOPLE ON WELFARE WANTED WAS MORE WELFARE, MORE BUREAUCRACY AND MORE DEPENDENCY. WHAT THEY WANT IS HELP -- TEMPORARY HELP -- GETTING ON THEIR FEET. SO IN VIRGINIA, WE WILL WORK WITH PUBLIC ASSISTANCE RECIPIENTS FOR TWO YEARS TO HELP THEM DEVELOP THE SKILLS THEY NEED TO BE INDEPENDENT. WHILE THEY RECEIVE BENEFITS, ABLE-BODIED VIRGINIANS WILL ALSO RECEIVE SUPPLEMENTAL EDUCATION, LIFE SKILLS TRAINING, AND -- MOST IMPORTANT -- JOB EXPERIENCE WHICH WILL MOVE THEM INTO THE WORKING COMMUNITY. AFTER TWO YEARS, THEY WILL MOVE FROM WELFARE TO SELF-RELIANCE AS EMPLOYEES IN PRIVATE SECTOR, UNSUBSIDIZED JOBS.

IN ADDITION TO RECEIVING TWO YEARS OF PUBLIC ASSISTANCE BENEFITS WHILE GAINING JOB EXPERIENCE AND TRAINING, RECIPIENTS WILL ALSO RECEIVE ONE YEAR OF TRANSITIONAL BENEFITS, INCLUDING CHILD CARE, TRANSPORTATION AND MEDICAL CARE. THESE BENEFITS ARE DESIGNED TO MAKE THE TRANSITION TO THE WORKING COMMUNITY SMOOTHER FOR FORMER RECIPIENTS AND THEIR FAMILIES.

THIS APPROACH TO WELFARE PROMISES TO TRANSFORM THE PRESENT SYSTEM SO THAT IT WORKS FOR PEOPLE, NOT AGAINST THEM. IT GIVES PEOPLE OPTIONS WHICH HELPS THEM TO MAKE POSITIVE DECISIONS TO AFFECT THEMSELVES AND THEIR FAMILIES. IT REMOVES PERVERSE INCENTIVES WHICH RESULT IN FAMILY DISINTEGRATION AND DESTRUCTIVE BEHAVIOR.

THIS DOES NOT MEAN THAT EVERYONE RESPONDS LIKE A ROBOT TO THE LURE OF DOLLARS, NOR ARE THE POOR MORE MORALLY SUSCEPTIBLE TO THESE DISINCENTIVES. IT SIMPLY ACKNOWLEDGES THAT THESE FINANCIAL INCENTIVES WILL PLAY A ROLE IN THE DECISIONS OF PEOPLE WHO RECEIVE WELFARE BENEFITS. AND, IN EACH CASE IN WHICH SOMEONE WHO COULD WORK, CHOOSES NOT TO; SCARCE FINANCIAL RESOURCES THAT COULD HAVE BEEN SPENT TO EDUCATE A CHILD, OR TREAT SOMEONE WHO IS SICK, OR INVEST IN NEW TECHNOLOGY AND GOOD JOBS, ARE WASTED INSTEAD.

NOT ONLY IS SUCH WASTE INTOLERABLE, ESPECIALLY IN AN INCREASINGLY COMPETITIVE WORLD ECONOMY, BUT THERE IS SOMETHING VERY WRONG WITH THE FACT THAT OUR GOVERNMENT IS, IN EFFECT, INDUCING ITS MOST VULNERABLE CITIZENS TO MAKE SELF-DESTRUCTIVE, DEMORALIZING DECISIONS.

WE MUST CRAFT WELFARE PROGRAMS THAT GIVE PEOPLE THE INCENTIVE TO CHOOSE WORK OVER WELFARE.

THE STATES ARE INNOVATORS. IN THIS, AS IN SO MANY OTHER PUBLIC POLICY AREAS, THE STATES ARE LEADING THE FEDERAL GOVERNMENT. SOME OF THESE INNOVATIONS INCLUDE: ENFORCING CHILD SUPPORT AND REMOVING SOME OF THE BENEFITS OF SINGLE PARENTING BY REQUIRING THE ESTABLISHMENT OF PATERNITY, ALLOWING RECIPIENTS TO ACCUMULATE A MODEST AMOUNT OF INCOME IN A SAVINGS ACCOUNT OR IN THE FORM OF AN ASSET, REQUIRING SCHOOL ATTENDANCE OF CHILDREN OF AFDC RECIPIENTS, PACKAGING FOOD STAMPS AND AFDC BENEFITS IN THE FORM OF CASH WHICH IS USED TO SUBSIDIZE PRIVATE SECTOR JOBS, AND DENYING ADDITIONAL BENEFITS FOR ADDITIONAL CHILDREN BORN 18 OR MORE MONTHS AFTER INITIAL ELIGIBILITY. THESE REFORMS SERVE TO REARRANGE THE INCENTIVES INHERENT IN THE WELFARE SYSTEM.

# HOW DO THESE LESSONS IMPACT ON FEDERAL POLICY?

FIRST, OF ALL, YOU MUST HEAR THE MESSAGE THAT THE STATES DO CARE ABOUT THE POOR. FEDERAL POLICIES TOO OFTEN HAVE BEEN DEVELOPED TO MEET NEEDS THAT YOU BELIEVED WE WERE NEGLECTING. BY MAKING SUCH AN ASSUMPTION, THE FEDERAL GOVERNMENT OFTEN REACHES BEYOND ITS CONSTITUTIONALLY PRESCRIBED POWERS, ESTABLISHES A COUNTERPRODUCTIVE ADVERSARIAL RELATIONSHIP WITH THE STATES, MISSES OUT ON THE OPPORTUNITY TO BENEFIT FROM STATE PUBLIC POLICY INNOVATION AND COMPETITION, AND INEVITABLY ENDS UP MICROMANAGING THE PROCESS OF DELIVERING SERVICES TO THOSE WHO QUALIFY.

SOME HAVE SUGGESTED ESTABLISHING FEDERAL REQUIREMENTS WHICH MIMIC THE REFORMS WE ARE PUSHING IN VIRGINIA, ATTACHING SO-CALLED "CONSERVATIVE STRINGS" TO THE DISBURSEMENT OF FUNDS. BUT THIS STILL ASSUMES THAT THE STATES NEED TO BE TOLD WHAT TO DO BECAUSE WE ARE NOT SMART ENOUGH TO FIGURE IT OUT FOR OURSELVES, AND IT ALSO ASSUMES THAT WHAT WORKS IN MONTANA WILL WORK IN NEW JERSEY. BOTH ASSUMPTIONS ARE FALSE AND DANGEROUS. FOR EXAMPLE, THERE IS AN EXEMPTION IN THE TIME LIMIT IN GOVERNOR ALLEN'S PROPOSAL FOR THOSE WHO LIVE IN REGIONS IN WHICH THE UNEMPLOYMENT RATE IS MORE THAN 2 PERCENTAGE POINTS ABOVE THE STATE AVERAGE. BY INCLUDING THIS PROVISION WE RECOGNIZE THAT THERE ARE STRUCTURAL ECONOMIC DIFFERENCES BETWEEN REGIONS IN OUR STATE. CONSIDER THE MASSIVE DIFFERENCES THAT EXIST BETWEEN STATES.

SOME HAVE SUGGESTED MINIMIZING THE STRINGS AND SIMPLY DISBURSING MONEY IN BLOCK GRANTS. BUT, ALL ALLOCATION FORMULAS DISTORT THE PROCEDURES STATES MUST USE TO DETERMINE PRIORITIES. BY ALLOCATING FUNDS BASED ON EACH STATE'S POVERTY RATE, THE FEDERAL GOVERNMENT PERVERTS EACH STATE'S INCENTIVE TO REDUCE POVERTY.

MATCHING FUND FORMULAS ARE EVEN WORSE. THEY SET UP SITUATIONS IN WHICH STATES CAN MAKE MONEY BY SPENDING MONEY – WITHOUT REGARD TO WHETHER SUCH PROGRAMS ARE WORKING. THE DISTORTION THIS PLACES IN OUR BUDGET PROCESS DAMAGES OUR EFFORT TO DETERMINE OUR STATE'S PRIORITIES.

THE ULTIMATE GOAL SHOULD BE TO PHASE OUT THE FEDERAL ROLE IN DELIVERING WELFARE SERVICES. IN THE MEAN TIME, FEDERAL AID SHOULD TAKE THE FORM OF BLOCK GRANTS, DISTRIBUTED ACCORDING TO A FORMULA BASED ON POPULATION, BUT NOT BE TIED TO A STATE MATCH. AND STATES SHOULD BE GRANTED MAXIMUM DISCRETION TO DEVELOP THEIR OWN PROGRAMS. FOR ONCE, I RECOMMEND THAT FEDERAL LAWMAKERS ASSUME THEIR STATE COUNTERPARTS KNOW WHAT THEY ARE DOING.

THANK YOU, MR. CHAIRMAN FOR THIS OPPORTUNITY TO TESTIFY BEFORE YOUR COMMITTEE.

Chairman SHAW. Thank you, Senator.

Mr. Collins will inquire.

MR. COLLINS. Thank you, Mr. Chairman.

Ms. Rogers, you mentioned a Work First Program where, when an applicant comes in, you immediately begin to put in motion ways of trying to prevent that person or encourage that person not to go on the welfare rolls if at all possible.

I like that concept and am pleased to say that the State of Georgia is looking at that now. I think that is a very fine approach. I think it is an approach we need to take.

You also talked about the inner city, Milwaukee, where over 50 percent of those to whom you send initial JOBS appointment notices do not show up. What is the average number of interviews that the 50 percent that show up go through prior to finding employment or do you have records of that?

Ms. ROGERS. I don't have statistics to show average number of interviews relative to employment for any of our populations. That is not a statistic that we measure. One of the things that we do look at relative to how difficult it is in some instances to get people to respond and come in to participate in the program, we do find that on average, for those remaining from the initial interview, it takes four notices before they would come in to be served at all.

Mr. COLLINS. The point I was making by asking that question goes back to what the gentleman from New York talked about earlier, about some of the problems that exist in those who are on welfare who are a potential work force.

Mr. Mead said there are jobs available out there. Sometimes I wonder where those jobs are. But even those jobs that are out there, I think the gentleman from New York brought up a very good point—many of those people who seek those jobs, and this may be part of the reason why 50 percent don't show up for interviews, they are high school dropouts, they have been in some way involved with alcohol or they have drugs on their record or they may have been involved with crime.

When they go in and fill out an application and either one of those shows up on the application, on their work history or on the history of themselves, that tends to throw a roadblock up for possible employment in a number of jobs, especially a job that would equal the pay that would benefit them or have an incentive to come off a welfare roll to a work roll.

What are your comments on that? Do you think that has anything to do with the number who do not show up for interviews because of problems they have on existing histories?

Ms. ROGERS. That may be one factor, but we feel that a much larger factor is the fact that our sanction process is weak and hard to enforce and word gets out on the street that, odds are, nothing too terrible is going to happen if you don't show up for the programs.

Relative to your comments about the effect of some of those individual kinds of situations, an alcohol or drug problem, we find that it is very important that the activity plan that is put together for a particular individual be geared to his or her needs, which would also mean working on that aspect of past behavior that was negative in order that you can say to an employer, when a match has

been made and an interview is taking place, yes, I had this poor behavior in my background but I have taken and am continuing to take steps to correct it.

Mr. COLLINS. I was just out at a meeting with a task force that is seeking to try and find some solutions to the lack of truckdrivers. The American Trucking Association estimates they will need 300,000 drivers each year for the next 10 years, but if you take a potential driver and he puts down alcohol, drugs, or a prior criminal conviction on an application, then immediately that is discarded.

That is a real problem and those are a lot of people who would probably make a decent truckdriver but their application just will not support hiring. I am in the trucking business and I just went through a very nasty, difficult campaign based on the fact that we had had a driver who had had some previous problems. You know, it is just a situation.

We are dealing with a generation of people who have these problems, high school dropouts, they have been involved in crime, drugs, and alcohol—not all, but a large majority of the people we are trying to deal with. Those are some areas that I think—I think the best way to do that is at the State level with more State flexibility.

Thank you.

Mr. McCRERY. Mr. Ford will inquire.

Mr. FORD. Thank you, Mr. Chairman.

Mr. Hobbs, when you describe your plan in the private sector with the employers, the employer should be compensated for all minimum wage—you talked about I guess the unemployment compensations, the matching part of FICA, all of it, 100 percent.

Mr. HOBBS. That is how the Full Employment Program or Jobs Plus works in Oregon. The employers may pay more than the minimum wage to the person who they take into this training job, but that is what the State will put up drawn from a combination of AFDC, food stamp and UI funds put into a wage fund for that purpose.

Mr. FORD. And the employer promising maintaining that particular person or those persons into those slots after how long?

Mr. HOBBS. A slot lasts 6 to 9 months with a 3-month addition if it looks as though this is going to result in a real job. And the employer does not promise to hire those people, he promises to give the first consideration to those people in jobs when they get through the training period.

Mr. FORD. Now, we have about 70 percent of all first-time welfare recipients who come on go off within the first 12 to 15 months and go into the work force. The problem is that there is a large percentage of those who go back to welfare rolls, and some suggest it is because of the child care, health care, and other related variables that are there.

If we were addressing a program similar to yours on a national model, what would we do on the health care side of it, of the child care side from a national perspective? What do we do from a national perspective for child care and health care—I guess, under current law, you can have Medicaid benefits for up to 12 months.

Mr. HOBBS. First of all, in this program, the child care and health care continue.

Mr. FORD. What do you suggest for the national program; what type of health care benefits could we talk about?

Mr. HOBBS. Let me explain one thing about the program. When you are on this program, you are still eligible for AFDC if you have been eligible before. So the Medicaid continues while you are on the program and then for 1 year once you get an unsubsidized job under the JOBS transition.

Child care is made available to anybody who needs it. The child care issue is addressed principally by having participants go into child care training jobs themselves and, therefore, cutting the cost of the slots for child care by having the participants—

Mr. FORD. After the transition has taken place and they are now working for the employer, 12 months has gone by, they still qualify for some of the AFDC benefits?

Mr. HOBBS. After 12 months, they do not qualify for the AFDC benefits any longer.

Mr. FORD. What happens if the employer doesn't have health coverage?

Mr. HOBBS. Right now we are working on a plan which is not in this one yet to actually use the differential in Medicaid costs for a working family versus a nonworking family to establish a Medicaid transition beyond the 1-year period which would cost less per family through an HMO system, for instance, than would the regular Medicaid.

Mr. FORD. Would an employer or an employee pay that premium?

Mr. HOBBS. The employer—it depends on how it is set up. You can have either an employer partial payment of that or a government partial payment of that for a period of time. I agree, we need to stretch that out in time, but also we need to transition through a copay system for the employer and employee into this—

Mr. FORD. To invest that type of money in the first year and be faced with similar problems that we are faced with with the system today and people going off welfare into the work force, in this case, to the private sector, but returning soon after if some of these factors come in—

Mr. HOBBS. Let me give you one example. Even in this new program, one person who was one of the first people to be placed in it was placed at the \$4.75 an hour plus Medicaid, and within 1 month was at \$6 an hour working for the employer with employer coverage. I agree that not every employer has coverage, but there are many instances in which this is going happen.

We are trying to have a reduced cost Medicaid based on the experience of working families rather than the experience of nonworking families that can stretch off into the future. But there always will have to be a transition, as there is now from a pure welfare, pure Medicaid welfare environment to one in which the costs of that health care are picked up by the combination of an employer and participant in the job.

Mr. FORD. Thank you.

Mr. McCRERY. Ms. Dunn will inquire.

Ms. DUNN. Thank you, Mr. Chairman.



Panel, I am trying to define some responsibilities here as we mold a new welfare program. I would like your assistance on it. Specifically, I am interested in what strings in this area of discussion, job requirements or job training, what strings you believe the Federal Government ought to retain over States assuming we go the way of block grants.

Second, what incentives have you run into in your State's programs or in your experience that could be provided to private sector employers that would make a—that would make a welfare recipient more attractive to those employers?

Mr. Hobbs, could you start?

Mr. HOBBS. Yes. I hope that the strings that should be attached by the Federal Government amount to just one, that the Federal Government should receive and look at the State plan by which the State is going to carry out the purposes behind the various block grants that are issued to it.

Beyond that, I think as State Senator Martin said, you should start putting your trust in States. They are far ahead of the Federal Government on the whole and, in specific instances, light years ahead of the Federal Government in reforming welfare and replacing it with a work ethic.

The second part of the question was what again?

Ms. DUNN. What incentives through the Tax Code that we could deal with would you provide to private sector employers or have you seen applied that create an incentive to hire these people?

Mr. HOBBS. My belief, from talking to employer groups and also to staffing companies, is that the tax credit system is not an adequate one to do this job, it is not really an appropriate one to do this job; that if there are going to be subsidies from the States or Federal Government, and I feel they should be from the State governments through the Federal block grants, those should be direct subsidies to the employers for limited periods of time as they transition people from pure welfare into an unsubsidized work environment.

And during that transition, there should be careful attention paid to the training and to the mentoring by people who are in the workplace, but that that is the most effective way to handle the situation.

We have found, in talking to staffing companies, that if you were to send them right now a bunch of people from public assistance, they would probably be able to place a significant number of those immediately into unsubsidized employment. They have the subsidized employment backup that would allow them to place people in jobs that are going to get them resume strength, and if neither of those is going to work, then I think we should be looking at workfares so there is no pure welfare left for people who are able to work.

Ms. DUNN. Thank you.

Ms. Rogers.

Ms. ROGERS. Governor Thompson believes that there are four specific general principles that would be wise for the Federal Government to put in place as it looks at welfare reform. The first is that we have an end to indefinite cash assistance, that there be

some parameter within which there is a limit placed on the amount of time which a family can receive that assistance.

Second, we feel that for those who can work, only work should pay, another way of saying there should be a work component for everyone in exchange for their receiving public assistance.

Third, we feel that there should be a requirement upon the States to put in place within their programs with considerable flexibility some planned methodology for addressing the issue of illegitimacy and how we might be able to reduce it. Although I am not suggesting that we be specific in terms of the Federal direction, only that States be instructed to do something in this regard.

Some examples might be to require these minor moms to live at home or under supervised conditions. It is not healthy for child moms with babies to be living on their own. I don't think we do them a service when we throw a check at them and expect them to do that.

And then finally, we should be careful at the Federal level that it is States that are funded and not individuals so that there is not from the Federal level a mandate relative to individual entitlement. This would severely curtail the States' ability to have the flexibility they need to be creative in solving the broad-based issues and problems that we have.

Relative to incentives for employers, I think from my interfacing with employers over the years, the best that we can do is to send them potential employees who are ready to work, who understand what the requirements are within a job setting, and who understand what personal responsibility is relative to getting up and showing up on time, that would be the number one best thing that our programs could do.

Second, I concur with Mr. Hobbs when he talks about the only other kind of support being direct subsidies for a limited period of time and only used in that second tier of circumstances where individuals can't get a job on their own.

Ms. DUNN. Thank you.

Mr. Townsend.

Mr. TOWNSEND. I would like to comment on this block grant process. If you are going to continue to fund the program, I think you need some modifications with the Federal law that talks about what you do expect in return for that block grant.

Right now, you don't expect job placements, you don't expect them to get off of welfare. The only requirement that I know of is to participate in the program.

Two, if you have any time limits accompanying a block grant, you need a national tracking system. Otherwise you have 50 States each with a 2-year time limit and that issue would have to be dealt with.

Also, I am concerned about putting a block grant on the JOBS Program. It is severely underfunded as it is. We are unable to deal with all the clients, so if you block grant the welfare part, I would suggest that you not block grant the jobs part of the program.

We found in our county that the JOBS Program can be cost effective, it can produce a profit, but you need to focus on the up front sense of urgency job employment as soon as possible rather than let clients settle into a long-term welfare situation.

Ms. DUNN. Thank you. I would like to ask the other two panelists to finish, if I may, Mr. Chairman.

Mr. STANGLER. The answer to your second question, first. The evidence on tax credits to employers is underwhelming in nature. They have not worked. We use wage supplementation which is the transfer of the AFDC and food stamp benefits to the employer to be added to a wage base to get up to a wage of about \$7 an hour.

We have found that to be more successful. But, as I said in my remarks, what the employers have said to us is that those wrap-around services, the job coaching and mentoring, the other things that keep people coming to work every day, they really appreciate, even more so than the financial subsidies.

In terms of what strings, I think it is proper for the Federal Government to define the goals and outcomes and let the States decide how to achieve those national goals and outcomes.

Mr. MARTIN. As to what strings, simply make sure that the States have a plan in place with maybe a time limitation. As to what incentives to potential private sector employers, package the value of existing benefits as cash subsidies for hiring for a limited period of time.

Ms. DUNN. Thank you.

Mr. McCRERY. Mr. Ensign will inquire.

Mr. ENSIGN. Thank you, Mr. Chairman.

Maybe we can start with Mr. Martin on this. In the previous panel, they talked about that if we do these block grants to the State, that they were afraid that work programs would be hurt in this, and yet it seems to me that some of the States that have gotten some of these waivers actually have more of these work programs going into effect.

Your comments on that.

Mr. MARTIN. I do not see it as a hindrance. I believe that it provides us some freedom.

Mr. ENSIGN. They thought if we gave States more flexibility, that some of the work programs that are out there now, some of the States that are less compassionate would go back to hurting the poor and not continuing some of these work programs.

Mr. MARTIN. I can only speak to the Commonwealth of Virginia, which is one of the most compassionate States in the country and we believe very strongly in some of these work programs. We would like to move people from the welfare rolls to the workplace and we believe that that aid toward self-reliance is very important. So we would, I believe, put our money toward the JOBS Programs.

Mr. ENSIGN. I would like to make a statement for anyone to respond to. Currently, by 1995, the Federal Government requires 20 percent of the recipients to be in some type of a work program. Does anybody know—I guess you are supposed to have a reduction in funding if you are not meeting those requirements—does anybody know States that are currently receiving less money or anybody that has been penalized by not meeting those standards? Because from what I understand, there is virtually no State that is meeting those standards.

Mr. STANGLER. Mr. Ensign, I would suggest the State of Missouri is meeting its requirements at the moment. I am not aware of any States that have been sanctioned for that. There are other sanc-

tions, but so far, we have kept up with the other requirements of the law.

Mr. ENSIGN. My comment is, if we are looking at certain guidelines that the Federal Government is going to do with these block grants, if we are not currently following through with the guidelines that were set in 1988; in other words, if the Federal Government isn't following through with what it set down in 1988, is the Federal Government going to follow through with the requirements we are going to set down in 1995?

Mr. MARTIN. I can't answer that, but I can encourage you not to put in any more requirements than you have to enforce.

Mr. HOBBS. We have to recognize that the JOBS Program and the Family Support Act were imperfect instruments to do what we now know needs to be done, and that is to put people to work. The 20-percent requirement, at least for the entire AFDC population, is only a requirement for participation, not for work.

The only work requirement of the Family Support Act was for the two-parent family which I believe comes up in 1995. That is a very small portion of the AFDC population and the States have gone far beyond Federal requirements not in just the participation element but in actually devising work programs which you have heard described today.

Mr. ENSIGN. Mr. Hobbs, I appreciated your comments earlier, and I think you have illustrated some of the points made in previous hearings, that Oregon is different than other places. And the reason that I support the State's flexibility is that you have to be able to design programs on the local level.

It just seems to make sense that we cannot design one program that is going to work for everybody out there. I don't think anybody on either side of the aisle feels that we have all the answers or maybe even close to some of the answers. We all want the same things, we all want a welfare program that is going to be best for our society. I appreciate all of you being here and offering your ideas.

I know both sides of the aisle want what we can do best not only for the people welfare is intended to help, but also for the rest of American society because we will all benefit from that.

Thank you, Mr. Chairman.

Mr. McCRERY. Mr. Rangel will inquire.

Mr. RANGEL. Thank you, Mr. Chairman.

Senator, this is a well-balanced approach that you have presented to the Committee. This did not come from the national organization so this came from your commission from Virginia?

Mr. MARTIN. That is correct.

Mr. RANGEL. Who is actually executing the recommendations of the Governor?

Mr. MARTIN. At this point, part of it is an administrative process which is being carried out by Secretary James, Health and Human Resources Secretary. Legislative initiative is coming in the form of two bills which have been introduced as a matter of fact today.

Mr. RANGEL. I would like you to send me something on the administration of this program, because you went out of your way to suggest that one of the major things you rely on is education in addition to sanctions, and then you go on talking about gaining job

experience, training and transitional benefits, which seems like you are really allowing someone to feel more secure in getting a job.

[The information was not available at the time of printing.]

Mr. MARTIN. That is our hopes.

Mr. RANGEL. I gathered, Administrator Rogers, that your program is working but you really think the major emphasis on sanctions is what is making you more successful. If that is what works for you, then certainly I wouldn't suggest that you change it.

One of the suggestions that you gave is a time limit for cash assistance. That would not just be a time limit that would not have exceptions. I mean, if you were physically or mentally unable to work, States wouldn't just say 1 to 3 years, would they?

Ms. ROGERS. There would always be ability to clarify the exceptional circumstance, yes. May I clarify a comment relative to sanctions? Wisconsin is not focused on sanctions but primarily focused on moving people into the work force as fast as possible and as fast as they are able to get there so that they can begin on the employment ladder.

Mr. RANGEL. One of the Members asked you what would be the most important thing, and all the things that you mentioned which I took down didn't involve the type of support system that the Senator was talking about. I assumed that you just overlooked it and assume that you would be preparing the workers.

You say limit cash assistance, make certain the States are there, give the States flexibility, and I don't even think you wanted the Federal Government to put some type of a bottom line as to how far you could go with the sanctions.

Do you believe that there should be a safety net that we set up?

Ms. ROGERS. I think the States should be given the flexibility to design the safety nets that they feel important for the children in their State. The issue of sanction is more a matter of, if we are going to have requirements in programs, then there should be a clear consequence that is fairly processed for those people who do not comply.

Mr. RANGEL. Dealing with the issue of fairly processed, I would like to believe that I am giving the Governors all the flexibility they want, but I want to feel it is fair. There are certain things that many supporters of programs that mandate work don't agree on. One is that because someone is 18 years old, that in and of itself means they are not eligible for benefits.

Would you want the State to have that flexibility just in and of itself?

Ms. ROGERS. For a State to be able to say that because you are 18 you are not eligible for benefits?

Mr. RANGEL. Yes, 18 and having a baby, of course.

Ms. ROGERS. I don't believe we have addressed that.

Mr. RANGEL. I said you would not want us, as responsible Members of the Congress, to allow any of the 50 States to be able to say that we have decided—if you are 18 years old, that in and of itself, you will be denied benefits. Most of the people up here don't believe in it, and I am just saying you would not want us to allow that or even to suggest it, would you?

Ms. ROGERS. I believe what I have said is that I feel States should be given flexibility to set their eligibility standards.

Mr. RANGEL. So you would want them to be able——

Ms. ROGERS. I think every State should be able to set its own eligibility standards.

Mr. RANGEL. What did you do before you became involved in this welfare job program? What were you doing before you took over this job for the State?

Ms. ROGERS. I have done a variety of things including worked in the private sector, but I am, by education and training, a behaviorist, and have worked in the city of Chicago and in Madison——

Mr. RANGEL. I meant, when you were selected for this particular job, that is to get people off of welfare and into jobs, which we all want to do. Was there particular experience that you had in doing this work before and that is why you were appointed, to bring that special talent and experience to the State's program?

Ms. ROGERS. In education and in previous employment, my background is in related subject areas relative to the programs and to equivalent administrative experience.

Mr. RANGEL. OK. Well, thank you.

Mr. MCCRERY. Mr. Townsend, Mr. Hobbs described I think in a little more detail the Oregon plan with respect to the number of months that a person can stay on AFDC and have a subsidized job, but I didn't catch it.

Would you tell us how long a person in your county can have a subsidized job and still be receiving AFDC?

Mr. TOWNSEND. There are no time limits in the State of California right now. They can have paid employment and remain on welfare. California has a waiver allowing the one-third income disregard to go beyond the 4 months.

During the period of the study with MDRC, we did not have this advantage, and we believe that our job retention will increase because clients will not fall back on welfare. They will be able to improve their lives. Even with a lower paying job, they will learn their abilities and enhance their employability for even better paying jobs. So we want to keep them out there in employment as long as we can.

Mr. MCCRERY. Is there a time limit for the subsidy?

Mr. TOWNSEND. We do not subsidize. We believe in placing individuals in paid, unsubsidized employment.

Mr. MCCRERY. So you don't provide any subsidy to the employer?

Mr. TOWNSEND. Not really. There are some State tax credits, but they have not been that effective. What is really crucial is that we give each businessman who is our customer the right product, meaning our GAIN participant. We would not have repeated year after year good results if we did not give them a good product.

Mr. MCCRERY. If there is no time limit within which a person must get off AFDC, why should he ever get off AFDC? That is like an income supplement.

Mr. TOWNSEND. That is a concern and that is why our Governor Wilson has set up a GAIN advisory task force. We have now 27 recommendations which we hope will be going through the State legislature. Our State legislature has provided a 15-hour deferral so, right now, if some one of our clients has a 15-hour job not even at minimum hour wage, they can appeal and insist on not going

through the GAIN Program. We can't make somebody self-sufficient only working 15 hours. This is one crucial barrier we have which will hopefully go away.

Mr. McCRERY. But with respect to the time limit, you are anticipating some sort of limitation on the amount of time that a recipient could continue to receive AFDC while he is working?

Mr. TOWNSEND. I believe our Governor has proposed a 2-year time limit.

Mr. HOBBS. Mr. Chairman, could I correct the record if I misspoke?

Mr. McCRERY. Sure.

Mr. HOBBS. The Jobs Plus Program doesn't have any time limit for participation. Once a person goes into Jobs Plus, they stay there, they don't go back on benefits. The training assignment is 6 to 9 months. But if that one doesn't work out, they go into another training assignment.

Also, at any time during a training assignment either the employer or the participant can bail out of that particular assignment. The employer gets another participant; the participant gets another employer. The object is to have people not fall back into the pure welfare system.

Mr. McCRERY. Under the Republican proposal, as you understand it, could you all have the kinds of programs that you currently have, given the flexibility in the Republican proposal?

Mr. MARTIN. My understanding of it, I would say, yes, but I have not read it thoroughly. My understanding of it.

Mr. TOWNSEND. It depends on what kinds of programs and rules would be set up by State as to whether we do that, but generally I would think that we could. One area, however, of concern is the very young mother who has children who maybe made a mistake, and if you prohibit paying any sort of aid to a teenage girl, that would change our process in California.

Mr. RANGEL. Parliamentary inquiry, Mr. Chairman. Exactly what Republican proposal are you referring to?

Mr. McCRERY. I qualified that by saying as you understand it. That is all I am looking for.

Mr. RANGEL. I just hope that you will be a little kind to me when I have confusion in understanding exactly what proposal we are working from.

Mr. McCRERY. We are all confused and are trying to tear our way out of that wet paper bag. Part of the confusion is the web of entanglement that the Federal Government has given the States to work within for the last 30 years. So it is kind of confusing.

Generally, though, you would be satisfied if we basically block granted the cash to the States and allowed you within certain parameters to create your own program similar to the one that you are already pursuing in your States?

And I understand Mr. Rangel's question about you wouldn't want specific requirements like the under 18 rule, although I would point out that is prospective only. You wouldn't have to take people off AFDC who are currently on who are below the age of 18.

Mr. FORD. Would the Chairman yield?

Also, the Personal Responsibility Act removes any requirement to provide education and training and Mr. Martin responded, and I

thought he mentioned earlier in his testimony, that education and training was a component of what you were doing in Virginia.

Mr. MARTIN. At the start, we believed that basic academics are very important and I addressed that first. Then I said during the benefits period job training is a very important part of it.

Mr. MCCRERY. We have two directions from which to come as the Federal Government. On the one hand we can direct the States what to include, in other words, what payments they must make, and from the other direction we can tell the States a category that they cannot pay. So you see we are both working here trying to figure out what the Federal Government should do from both directions, and I appreciate the testimony of the witnesses today trying to help us with that.

Mr. English will inquire.

Mr. ENGLISH. Thank you, Mr. Chairman. I have no questions of the panel.

Mr. MCCRERY. Mr. Levin.

Mr. LEVIN. Thank you. I am not sure there is an answer to your question about block granting in part perhaps because the time ran out, in part perhaps because it is not clear with what funding, for example. How about a block grant with a 5-year freeze, including on job training, job placement funds?

Mr. TOWNSEND. Again, I very much question putting a limitation on something that can eliminate your basic problem. If something is cost beneficial, wouldn't we want to invest more in it? There are things that can happen in a State and it depends on how you calculate the amount of the block grant and how that is established.

Every time I have seen a block grant from a local administration level, it is something that gets cut down year after year. So that can cause very definite financial hardships unless you embed criteria which takes into account the economic situation of the States, the percentage of individuals in poverty and growth of the general population in an individual State.

Mr. LEVIN. I just hope everybody hears that because the Riverside program has made some real progress. So I think we ought to take Mr. Townsend's perspective seriously in terms of the problems with a block grant.

Mr. Stangler, you said more or less the same thing. You are worried about a freeze on funds that relate to the JOBS aspects of the program—I think that is what you said.

Mr. TOWNSEND. That is true. In our county, just with the money that I manage, the AFDC part and the JOBS money, just our local money we save about 75 cents net profit on the dollar, so we get about \$1.75 back for every dollar we spend, not counting other governmental savings.

If I were running a bank and you give me \$1 and I give you back at the end of the year \$1.75, you would be standing in line to give me more money. So why wouldn't the Federal Government want to do that?

Mr. LEVIN. Let me ask a bit about Wisconsin. And I ask these questions sympathetically to every effort to link welfare and work. So my questions about the block grant comes from the vantage point, let's do what works. And one of you said earlier, work works.



But we have to understand what it takes to make it work. So let me ask you, Ms. Rogers, in terms of the percentage of people who are eligible for a JOBS Program in Wisconsin, how many are in? As I understand it, there are about 80,000 families——

Ms. ROGERS. 73,000 as of the most current count.

Mr. LEVIN. What percentage of those is in the JOBS Program?

Ms. ROGERS. Of the AFDC caseload, we have slightly in excess of 54 percent enrolled in the JOBS Program.

Mr. LEVIN. Fifty-four percent. But you said of those, 14,000 had an entered enrollment. What does that mean?

Ms. ROGERS. Entered employment.

Mr. LEVIN. So while 54 percent are in the JOBS Program, of that 54 percent, what percentage are in work settings?

Ms. ROGERS. Twenty-three percent.

Mr. LEVIN. So 23 percent of the 73,000?

Ms. ROGERS. Twenty-three percent of the JOBS enrollees. And of those who are enrolled in JOBS Programs, about 23 percent are working while participating in the program itself.

Mr. LEVIN. So 23 percent of the 69,000 are in an employment situation?

Ms. ROGERS. Twenty-three percent of the JOBS enrollees are working. There were 69,000 individuals enrolled in JOBS in 1993.

Mr. LEVIN. And of that 21 percent, 63 percent are working full time, 62 percent of the employment is being full time? So what percentage—try to boil it down, because earlier, both Dr. Mead and Dr. Gueron said, don't oversimplify what it takes to make these programs work, so I think we all need to be realistic. Mr. Townsend and all of you have been helpful.

What percentage of those who are within the AFDC caseload network, 73,000, are now working full time or have been placed full time through your JOBS Program?

Ms. ROGERS. Twenty-three percent of all of the people who are enrolled in the JOBS Program are working full time.

Mr. LEVIN. Just look at your written testimony. Maybe we will have to ask you to submit this for the record. It says in 1993, 69,000 individuals enrolled in JOBS, a monthly average. Over 14,000 of these enrollees, 21 percent, had entered employment that year, 63 percent being full time.

Ms. ROGERS. Sixty-three percent of the 21 percent were full time and the remainder were part time.

Mr. LEVIN. So 63 percent of the 21 percent, so that would bring it down to about 15—about 13 percent. Why don't you do this, if you would, because the Wisconsin program is considered one of the models.

If you would submit for the record, take the caseload in 1993, and how many of those 70,000 people or the total figure, the total group, how many of those ended up in a full-time job in 1993—will you do that for the record?

Ms. ROGERS. Yes, I can. In 1993, while in the JOBS Program, 14,477 people entered employment.

Mr. LEVIN. And how many of those were full time?

Ms. ROGERS. Sixty-three percent.

Mr. LEVIN. Of the 14,000?

Ms. ROGERS. Yes.

Mr. LEVIN. So that would be about 9,000 out of the total of 80,000.

Ms. ROGERS. Were both working in the JOBS Program and working full time.

[The following was subsequently received:]

There were 14,447 entered employments within the 54 percent of the total AFDC caseload enrolled in JOBS in 1993. This doesn't include the 46 percent of our 1993 caseload not enrolled in JOBS. Many of those caseloads not enrolled in JOBS either found employment on their own or were already working.

Mr. LEVIN. Thank you.

Mr. McCRERY. Mrs. Kennelly.

Mrs. KENNELLY. Mr. Stangler, in 1988, I was on this same Committee and worked very closely with the APWA in bringing forth the Family Support Act. Ms. Rogers said she has all the money in her State for the JOBS Program. We wished it had worked out better.

Today you come before us and I hear you talk about goals. You want great flexibility for the States and you talk about goals and outcomes—somebody asked, what string do you want from the Federal Government to the State government, and you said goals and criteria so we can get more people to work.

My question to you is: Do you and does APWA feel that an entitlement is not necessary for AFDC? And possibly they would accept and you would accept the block grant approach. Is the entitlement idea no longer viable?

Mr. STANGLER. No. We have not taken any position on block grants or on ending entitlements. In our report last year, we did not propose ending any entitlements. We feel we need more detail on what the proposals are before we can take any positions.

I am concerned about recessionary pressures. I am concerned that even as unemployment goes down, my food stamp caseload continues to increase because of the mix of jobs that are out there in the service economy and the manufacturing economy. We are not prepared to make that leap.

I remember your leadership also in 1988 and I too wish it had worked out better, but there are improvements we can make. The Federal Government has the role to set what are the national goals and what are the outcomes, whether that is participation or work or minimum standards of subsistence, but that the flexibility comes to the States in how we achieve those goals.

Mrs. KENNELLY. I think we are all very interested and we know that the American people are insisting that we put people to work and get people off the rolls. However, I have to warn you that here you are today as a witness and this is moving.

We are going to markup—Mr. Chairman, is it February 6?—so I would hope the APWA gets a clear message to us on what they think. I have always thought they did extremely good work at home.

Mr. Townsend, I congratulate you for your work. Can I ask you on the earned income tax credit, as you see people who are successful and you are taking them from welfare to work and staying in the work world, have you seen any impact from the earned income tax credit? Was this something that was worthwhile?

It was in the budget proposal 2 years ago. I find in my own district, and this is something I have always championed, people don't quite get what happened there. Do you in your program think that helps keep people off welfare, having the earned income tax credit?

Mr. TOWNSEND. When I want to know something, I go to my staff. What the counselors are telling me is that a payment once a year doesn't do it. A client can collapse and fall back on welfare before it is time to file your income return. Not many know about the monthly process and it is a pay-for-work driven system. If you are going to make earned income tax credits work right, you should make it easier and on a monthly basis.

Mrs. KENNELLY. We tried to get one line on the IRS form because it was one point—we looked at 1 percent of the people eligible were claiming it. You are telling me still there is a problem. Are you saying your monthly—

Mr. TOWNSEND. More of an automatic monthly process. It doesn't have that much of an impact thus far, but we are trying to work in a monthly process. I have changed procedures to try to send it that way, but it still depends on the client filling out the piece of paper.

Mrs. KENNELLY. And asking the employer to withhold?

Mr. TOWNSEND. Yes. That blows the cover about their poverty situation—

Mrs. KENNELLY. By filling out that form, then the employer knows the straits that they are in?

Mr. TOWNSEND. It is a pretty good indication of AFDC status, although it could be poverty also.

Mrs. KENNELLY. You do think we should continue or you think it is a wash?

Mr. TOWNSEND. When you do something, I think you ought to evaluate it. The latest changes that have occurred, I think we need to see how that works out. There may be other changes.

Mrs. KENNELLY. With your successful record, would you watch it so I can call and ask you if you have any more suggestions; because this is something I have always looked at, is helping people stay off welfare, and it costs a lot of taxpayer dollars.

Ms. ROGERS. I don't think we have done much of a job of marketing the earned income tax credits. It is more valuable with recent legislation that makes it worth more. For an average AFDC family earning very near minimum wage, it is worth several thousand dollars.

Mrs. KENNELLY. That is my point.

Ms. ROGERS. I concur it is critical that they go through the application process so they can have the benefit of it monthly. It is not enough to wait until the end of the year.

Mrs. KENNELLY. Thank you very much. I thank the panel. They have been excellent.

Mr. MCCRERY. Mr. Rangel.

Mr. RANGEL. What was the process in getting a waiver for this successful program administered by the Riverside County Department?

Mr. TOWNSEND. I think this is a lesson for the Federal Government. When we adopted the GAIN Program, the State legislature deliberately encouraged each county to try something different, to

build a plan that met the individual needs of their county and then put \$12 million into research to find out what the advantages of the different approaches are. I think that was very wise on their part and we have at the local level appreciated that freedom and latitude to experiment.

Mr. RANGEL. Did you have any restrictions on what they could come up with? In other words, would the Governors just allow what you are requesting of this legislative body or would your State legislature allow the counties to receive the money directly and be flexible and creative and just do what they want?

Mr. TOWNSEND. They have given us flexibility thus far in how we run the GAIN Program. I haven't noticed a lot of flexibility in making rules different by individual counties in the administration of welfare. But that is because I think the Federal Government has a requirement we keep running into called statewideness, so there is a string on Federal money for AFDC that we cannot vary from one local government to another that the State plan must be statewide and have some things in common.

Mr. RANGEL. If we broke that umbilical cord from the Federal to the States, would the Governors be willing to do the same for the counties, do you think?

Mr. TOWNSEND. That is one burden we could put on them if given the opportunity.

Mr. RANGEL. Suppose we tied the flexibility that the Federal Government is giving to the States to the Governors who would then give it to the counties, would you support that?

Mr. TOWNSEND. I am concerned about leveraging poverty clients from one local jurisdiction, from one State jurisdiction to another. We could have a game of who is the most punitive in developing eligibility rules. I don't think that is what we entirely want. I would like to see welfare recipients become successful wherever they are in the community they are in currently.

Mr. RANGEL. Is there anything that you see the Federal role in besides just giving the block grant?

Mr. TOWNSEND. I think you must set what you want and perhaps entertain financial incentives to those who achieve what you want. If you want people off of welfare, say so. If you want welfare recipients earning and doing their best to support themselves, say that in statute, but thus far that has not occurred.

Mr. MCCRERY. Mr. Ford.

Mr. FORD. Mr. Townsend, in your experience, is it the welfare recipient that doesn't want to work or is it the inability to hold a job in these low-wage markets?

Mr. TOWNSEND. I don't think it is one way or another. We have welfare recipients, some of whom have worked hard and long, some have dabbled at employment, some have not been employed at all. I think that if I had to name a figure from talking with all my staff, and I do that, it is about 85 percent of our clients do want to be off welfare and they have this desire in varying degrees, but I would say they commonly would like to have some successful employment.

Mr. FORD. Eighty-five percent that want to be off of welfare?

Mr. TOWNSEND. Yes, that want to be off of welfare, that want to support themselves. We have a very small percentage, 10 to 15 per-

cent, who are professional, who are capable but would like to be supported on welfare.

Mr. FORD. A one-size-fits-all theory doesn't accommodate the different innovative things necessary to respond to the needs that are out there, right? A one-size-fits-all program doesn't necessarily work for the welfare population?

Mr. TOWNSEND. We have clients who are self-motivated and about half our clients, we get employed in the first 30 days. Others we have to work with. Some don't have the level of education. Our average for those without high school education is 5.5 at the grade level. To have them be successful on the employment side, we need to work them up to about a 9th grade level of education so they can understand the math and the job instructions accurately. So it isn't just one situation. We need to tailor our plan. We enter into a plan with each GAIN participant as to what they want and we discuss that and then we deliver services accordingly.

Mr. FORD. Denying benefits to children born to teenaged mothers, that is in this Personal Responsibility Act. What are your comments on that, Mr. Townsend?

Mr. TOWNSEND. I am going to answer it indirectly. One thing I am proud of as a U.S. citizen is, thus far, we have had a record of caring about children. That lesson is driven home when I go to other countries and I see children on the streets wrapped in rags, and find in America and have found thus far that that is not true. I would hope that we would not attack infants and small children because of the age and decisions of their mother.

Mr. FORD. Linking welfare to work is something we want to do but we still would like to protect the child; is that correct?

Mr. TOWNSEND. I would hope we would do that.

Mr. FORD. In other words, the Personal Responsibility Act would have States enact massive public work programs. Could you create this public workfare component with what you are doing with Riverside today?

Mr. TOWNSEND. I have found it to be a waste of time. When we set up the GAIN Program, I met and conferred with a lot of different labor organizations in our country. We talked with a lot of public employers to identify some sites where a client can work off their grant.

We only needed to place somewhere between 40 and 100 recipients into workfare sites. This year, we are looking at putting 9,000 individuals into unsubsidized, paid employment mostly in the private sector. We haven't found a limit for that yet even when their unemployment rate went up to 15.7 percent.

Mr. FORD. Thank you, Mr. Chairman.

Mr. MCCRERY. Does any other Member wish to inquire further?

Ladies and gentlemen of the panel, we appreciate your being with us today and sharing with us your experience. We look forward to using the information you have given us today to try to work out a plan for this country that makes sense and that does provide that crucial safety net for those who need it.

Thank you very much.

[Whereupon, at 3:15 p.m., the hearing was adjourned, to reconvene at 9 a.m., Friday, January 27, 1995.]



## WELFARE REFORM—SUPPLEMENTAL SECURITY INCOME

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FRIDAY, JANUARY 27, 1995

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON HUMAN RESOURCES,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 9:05 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

Chairman SHAW. If the Members and the guests will take their seats, we will proceed with this morning's hearing which I have called to order.

Thank you very much, and good morning and welcome to all of you. As I look around this room this morning, I notice that some of you have made an extra effort to be here this morning. Your appearance here with us is deeply appreciated. I hope you get a lot out of today's hearing, as I am sure the Members will, too.

I met yesterday with Marcia Bristo who is the president of the National Council on Disabilities. I will tell our guests this morning the same thing I told Ms. Bristo yesterday. It is not our intention to diminish the benefits of anyone who has severe disabilities and is deserving of those benefits.

Millions of deserving Americans with disabilities and millions of deserving elderly Americans are helped by the Supplemental Security Income Program. But there is now overwhelming evidence that SSI is abused. For more than 1 year now, the Ways and Means Committee has been confronted with evidence that hundreds of thousands of people with questionable claims are receiving SSI cash benefits and in upward of 80 percent of those cases, Medicaid as well. For each person on SSI and Medicaid, taxpayers spend a minimum of \$10,000 per year, and many who receive those benefits are entitled to every bit of that expense.

Last year, the Commissioner of Social Security told us that few people ever leave SSI. So when we admit people to the rolls, they receive the benefits anywhere from 10, 20, 30 years or even more. When we admit a child, he or she could be on the rolls for upward of over 50 years, consuming more than half a million dollars' worth of benefits during that period.

We on the Ways and Means Committee are stewards of the Nation's tax dollars. It is our responsibility to make sure that good and worthy programs that actually help deserving people are not undermined by the few who would take advantage of their tax-paying fellow citizens by deceptively qualifying for programs for

which they are not entitled. Even more important, we are responsible for reviewing these programs and determining whether the various categories of people now receiving welfare benefits actually deserve them.

The purpose of today's hearing is to continue this review process before introducing legislation designed to amend the SSI Program. There are three issues about which Republicans are especially concerned and about which Democrats are especially concerned.

First, it is our view that noncitizens should not qualify for welfare benefits. That is an issue which is going to be hotly debated, I am sure, as this process goes forward. Our Nation offers immigrants an incredible opportunity: Come to the Nation with the most individual freedom of any Nation on Earth and join an economy that has produced a net increase of 54 million jobs since 1960. In return, we ask for only two things; first, obey our laws, and second, become a citizen before using our welfare system. This is a Republican policy. It is supported by the American people. It is clear, it is fair, and it is my intention to pass it.

The second group of SSI recipients that concerns us is alcoholics and addicts. The principle that is guiding Republican reform of SSI for addicts is straightforward. People who have no disabling condition except addiction to alcohol or illegal drugs should not be given a guaranteed annual cash benefit and guaranteed medical care by the Federal Government.

Again, our intent is clear and fair. We will end cash benefits for addicts. Some observers think it is wise to pay for treatment for addicts to help them recover and to curb the destruction they have caused and brought upon their families, themselves, and their communities. We are carefully considering this argument and look forward to hearing testimony about it.

The third group of SSI recipients we want to examine is children. Americans do not want to deny benefits to children who are truly disabled. But as we will hear this morning, it appears that at least some parents have taken advantage of the foggy SSI guidelines for children in order to receive cash benefits and medical coverage they do not deserve. Just this week, we read in the Baltimore "Sun" about a woman who collected nine SSI checks for herself, her common-law husband, and all seven of her children. Her take was \$46,716 in tax-free income per year.

That many people are exploiting this program, especially since the 1990 Supreme Court decision had the effect of loosening qualification guidelines, is suggested by the explosive growth of SSI. In 1989, there were 300,000 children on the program. By 1993, there were 740,000—a growth of 150 percent in just 4 years. What the next 4 years will bring depends in large part on the actions taken by this Committee in the next few weeks.

I want to commend my colleagues, Mr. McCrery and Mr. Kleczka, for the continuing leadership that they have shown in the reform of SSI children's benefits. Their efforts on this crucial issue exemplify the kind of thoughtful and bipartisan approach Congress should take on welfare reform. I hope others follow their example.

By contrast, I have noticed an unusual number of fraudulent and exaggerated claims about what the Republicans intend to do in reforming the SSI Program. Whenever Congress reviews programs



for disabled citizens, especially when the elderly and children are involved, the possibilities for exaggeration and political mischief are unlimited.

I hope the members of the press and the American public will attend to our words and actions, and not speculation and rumor. In our Committee, following the thoughtful bipartisan example set by Mr. McCrery and Mr. Kleczka, we will be able to achieve the delicate balance between the needs of our poor disabled citizens and the interests of the Federal taxpayers.

Before I recognize the minority, and Mr. Stark, I understand is going to be giving your opening remarks this morning, I would like to introduce our newest staffperson on the majority side, Jona Turner.

We welcome you to the Committee. Thank you for being with us.  
Mr. Ford.

Mr. FORD. Thank you very much, Mr. Chairman. And we welcome the opportunity to review the Supplemental Security Income provisions in the three areas you stated in your opening statement.

This side of the aisle would join with you and the majority side of this Committee and ask that we move very cautiously in these areas and make sure that we study the facts and the evidence that would lead us to make whatever changes that would be necessary so we would not impact the lives of the elderly and the children in this country who are in need as we make quick decisions in moving on this welfare reform package.

And at this time, I would like to yield to my colleague from California, who will have the opening remarks, Pete Stark.

Mr. STARK. I thank the distinguished Ranking Member and the Chairman for recognizing me. I know that the Chair was looking back at some ancient history this morning and if he recalls in that 1976 picture, I think it was then that Bill Ketchum was Ranking Member and I chaired this Subcommittee. We wrote the reforms for eligibility limitations for aliens under a variety of welfare programs in this country, extending to 5 years the date for eligibility, and so forth, done in, I think, a fair and bipartisan manner. And I want to commend the Chair for starting off in that same manner.

I want to preface my remarks by suggesting that no one can countenance fraud or waste, but I do want to bring up some concerns. I hope in our anticipation of punishing people who abuse the system, that we will not harm those that I think we all agree must be protected.

There is the concern of legal and illegal aliens. I raise this question not in a pejorative sense, but there is some complication, if not confusion, as to which bill we might be dealing with. Are we dealing with H.R. 4 under the Contract? Will we be dealing under de novo legislation? And, if so, I would like to admonish my colleagues we have to be concerned for immigrants who are legally in this country and who have paid their taxes. They have served in the military and would qualify for a variety of benefits which I think we all agree would be fair. They may be impoverished seniors. They may be disabled adults. We should be concerned that we not unfairly withhold benefits which they have earned.

There is, under the plan as I understand it, perhaps close to 1 million people, 887,000 disabled children who would lose cash pay-

ments. I am curious to see how the various services that are needed for those children will be protected. Those of us who don't have disabilities or who will not admit to them publicly, realize that we are just temporarily among the quick and healthy and nimble.

And interestingly, disabilities have absolutely no prejudice. They do not recognize sex, age, race, social status, political affiliation. I hope we will keep not only the television extravaganza we are about to see, but the testimony of the last witness who is a disabled person, in mind as we go along.

I have some other concerns that are technical, and I would like to get them out here. H.R. 4 caps Federal funding to the SSI Program. Now, when you cap it, it is conceivable that funds could run out in the ninth month of a fiscal year. My concern is for the 3 million seniors, who are extremely poor, who require those SSI payments to exist. We must protect that stream of income for this very fragile group of the population.

There is some ambiguity, for example, in the elderly SSI beneficiaries who get automatic qualification for Medicaid which helps to pay their Medicare copayments. I hope that we can all agree that we must protect that interrelationship between these programs so that we do not cause harm to the people, the majority of the people, the fragile seniors and the very impoverished seniors to whom this program is principally directed. On the disability side, where much of the concern of today's hearing exists, there is no question that we should refocus our attention on eligibility and subsequent reexamination to determine that the need for disability payments continues.

So I hope that my colleagues will complete this hearing as we started, with a bipartisan demonstration of our first panel. The history of this Committee is to take into account the needs of people who rarely get the chance to be well represented before the entire body. These people have few or less wealthy advocates, and they are often the forgotten. I hope that we will take our responsibility seriously, and as the physicians say, our first responsibility is to do no harm.

Thank you, Mr. Chairman for indulging me.

Chairman SHAW. Thank you for a most thoughtful statement, and that historical perspective that you have given us. It was a 1976 photograph I was looking at. You were in it. Mr. Rangel and Mr. Ford was in there with a considerable amount of hair, that I found very, very interesting.

I would like to, at this point, make just a quick announcement about the panel that was scheduled to go last. I have changed the order. There is a youngster out there this morning that I think is going to have some trouble sitting through the length of the hearing that we would be having today, so the last panel will immediately follow the first panel.

I would like to now introduce the first panel.

Mr. Kleczka of Massachusetts and Mr. McCrery of—not Massachusetts. Give me some help.

Mr. KLECZKA. The dairy State.

Chairman SHAW. Wisconsin. I am sorry. I am not even close. I am sorry. Mr. Kleczka of Wisconsin, who is himself a citizen of a State that has been very progressive. Massachusetts has been pro-

gressive, too, in the area of welfare reform. And Mr. McCrery of Louisiana.

Gentlemen, if you would proceed as you see fit. The floor is yours.

**STATEMENT OF HON. JIM McCRERY, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF LOUISIANA**

Mr. McCRERY. Thank you, Mr. Chairman.

And thank you, Mr. Stark, wherever you are. There he is on the phone. I appreciate your opening remarks and certainly, Mr. Kleczka and I plan to proceed in the spirit of both the remarks of our Chairman and Mr. Stark.

Before Mr. Kleczka and I offer some thoughts on this subject, we thought it would be appropriate to play for the Members of the Subcommittee a program on ABC's "Prime Time Live" that aired a few months ago on the subject of SSI disability for children. I think it will give you some idea of the scope of abuse in this program, as well as give you an idea of what our constituents have seen with respect to this program and why we are receiving phone calls and letters saying do something about this abuse.

So, Mr. Chairman, with your permission, we will run the "Prime Time Live" segment to begin this hearing.

[Showing videotape.]

Mr. McCRERY. Mr. Chairman, I will tell you that what you have just seen, a compilation of events that have taken place in the State of Arkansas, has been revealed to me through my investigation to be the same in my State of Louisiana and, in fact, in Louisiana, the statistics are a little worse. The number of children on SSI disability since 1990 in Louisiana has more than tripled.

So, I hope the Subcommittee can see from that presentation that there are problems in our SSI Disability Program for Children. I first became aware of the problems about 1 year ago when I was contacted by the area manager of disability determinations in my district, Wayne Parker, and he will be addressing this Subcommittee a little later. He came to my office and wanted to talk to me about the SSI Children's Program.

Not long after that, I met with several teachers around my district who had called me independent from Mr. Parker and independently among themselves. What I learned from all those meetings and from other research investigation, is that this program is the epitome of what American citizens are sick and tired of. A well-intended but badly designed and abused Federal welfare program. Governor Weld was not wrong when he pointed out to this Committee that the SSI Program is a prime example of Federal welfare mismanagement.

Before I describe the problems further, let me emphasize that I am not here today to propose that we abandon the many children and families who truly need disability assistance. In fact, most of the families being served by this program require some form of assistance to meet the extraordinary challenges of their daily lives. I understand and sympathize with the trials they face and I am confident that the proposal that Mr. Kleczka and I will talk about today will not jeopardize their care.

Frankly, the SSI Children's Program has grown out of control and well beyond helping truly needy children. The lethal combination of generous cash benefits, cash benefits that are far in excess of AFDC, loose eligibility criteria, and the lack of proper congressional oversight inherent in all welfare entitlement programs has resulted in explosive program growth and widespread abuse. Since eligibility criteria were liberalized, the SSI Children's Program has grown from serving approximately 300,000 children in 1989, to over 880,000 in 1994, almost tripling.

Mr. Chairman, as I said, in Louisiana, we have more than tripled the children on this program since 1989. The growing cost of SSI, and that is important, but it is not nearly as devastating as the impact this program is having on some of our children and on our schools. Because of this program, many children are being urged to neglect and, indeed, sabotage their education. I should emphasize that most of these children come from very poor families where their only chance for a successful future is through education.

Teachers are increasingly frustrated as children purposefully disrupt class in an attempt to appear emotionally or behaviorally impaired. In addition, otherwise healthy children are being placed on medications to treat mental illnesses that simply do not exist, while other children are not being treated for fear that SSI checks will stop arriving in the mailbox. We have got to do something about this.

I, along with my colleague, Mr. Kleczka, will soon introduce legislation aimed at stopping the abuse while preserving the beneficial components of SSI. The children's program must be redesigned so that all the truly disabled children with severe impairments are served.

I believe we can effect positive change by basing eligibility on objective medical criteria. Removing the individualized functional assessment of a child's ability to act in an age-appropriate manner is critical to our successful reforms. At the same time, we must eliminate the cash benefit, except in cases where the child would otherwise require institutional care in the absence of a parent or guardian.

In the place of direct cash assistance, we should send States a block grant to be used for the unmet needs of SSI children. Medicaid, the Administration on Developmental Disabilities Programs and the Children with Special Health Care Needs Block Grant Programs are good examples of State's ability to administer programs for children who truly need our help. Children on SSI would automatically continue to be qualified for those programs.

This is a sensitive subject, there is no doubt about it. Perhaps most of us would rather not address this program. But I don't believe it can be ignored any longer.

While some may say that I and Mr. Kleczka are antichild for changing the nature of this program, I can think of nothing more antichild than permitting the status quo to continue.

I am looking forward to hearing from other panelists today and Mr. Kleczka and I look forward to working with the Members of this Subcommittee.

[The prepared statement follows:]

**Testimony of the Honorable Jim McCrery  
Before the Subcommittee on Human Resources  
House Ways and Means Committee  
January 27, 1995**

Mr. Chairman and my colleagues on the Committee,

Thank you for allowing me to speak to you this morning. I am here this morning to discuss what ought to be included in any discussion of welfare reform -- the Supplemental Security Income program for children with disabilities.

About a year ago, I was contacted by the area manager of Disability Determinations in my district, Mr. Wayne Parker, who will be addressing this committee a little later, concerning the SSI children's program. Not long after that, I met with several teachers concerning this same subject. What I learned from those meetings and from my own research and investigation into the SSI children's program is that this program is the epitome of what Americans are so very tired of-- a well-intended, but badly designed and abused federal welfare program. Governor Weld was not wrong when he pointed out to this committee that the SSI program is a prime example of federal welfare mismanagement.

Before I describe the problems surrounding this program, let me emphasize that I am not here today to propose we abandon the many children and families who need disability assistance. In fact, most of the families being served by this program require some form of assistance to meet the extraordinary challenges of their daily lives. I understand and sympathize with the trials they face and I am confident the proposal I will outline for you today will not jeopardize their care.

Frankly, the SSI children's program has grown out of control and well beyond helping truly needy children. The lethal combination of generous cash benefits, loose eligibility criteria, and the lack of proper congressional oversight inherent in all welfare entitlement programs has resulted in explosive program growth and widespread abuse. Since eligibility criteria were liberalized, the SSI children's program has grown from serving approximately 300,000 children in 1989 to over 880,000 in 1994. Mr. Chairman, that is a 300 percent increase over five years! In my state of Louisiana, the SSI children's population has grown from 12,000 in 1989 to 38,000 in 1994 -- a 316 percent increase. The total cost of this program has tripled since 1990 and is now about \$4.5 billion.

The growing costs of SSI, while important, are not nearly as devastating as its impact on our children and in our schoolrooms. Because of this program, many children are being urged to neglect and indeed sabotage their education. I should emphasize that most of these children come from very poor families where their only chance for a successful future is through a good education. Teachers

are increasingly frustrated as children purposely disrupt class in an attempt to appear to be emotionally or behaviorally impaired. In addition, otherwise healthy children are being placed on medications to treat mental illnesses that simply do not exist, while other children are not being treated for fear that SSI checks will stop arriving in the mailbox. What a tragedy.

We ought to do something about this. I will soon introduce legislation aimed at stopping the abuse while preserving the beneficial components of SSI. The children's program must be redesigned so that only the truly disabled children with severe impairments are served. I believe we can effect positive change by basing eligibility on objective medical criteria. Removing the subjective and controversial Individualized Functional Assessment of a child's ability to act in an "age appropriate" manner is critical.

At the same time, we must eliminate the cash benefit, except in cases where the child would otherwise require institutional care in the absence of a parent. In the place of direct cash assistance, we should send states a block grant to be used for the unmet needs of SSI children. Medicaid, the Individuals with Disabilities Education Act and the Children with Special Health Care Needs block grant program, are good examples of the States' ability to administer assistance to disabled children who truly need our help. Children on SSI would continue to automatically qualify for these programs.

This is a sensitive subject, no doubt -- one which perhaps most politicians would rather not address -- but it can no longer be ignored. While some may say I am "anti-child" for changing the nature of the program, I can think of nothing more anti-child than permitting the status quo to continue. I am looking forward to hearing from other panelists about this program and my ideas for reform. I look forward to working with Congressman Kleczka to fashion a bipartisan solution that accomplishes our shared goal of reforming this reckless program without jeopardizing the health and welfare of truly disabled children throughout our nation.

Thank you again for letting me speak before you today.

Chairman SHAW. The gentleman from Wisconsin.

**STATEMENT OF HON. GERALD D. KLECZKA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN**

Mr. KLECZKA. Mr. Chairman and Members, during the last few years, public attention has begun to focus on the enormous problems in the Supplemental Security Income Program. Over 15 months ago, I first came to the Subcommittee to mention reports I had heard about the failings of the SSI Children's Program. While public attention often focuses on allegations of fraud and abuse and, in fact, my original testimony did so last year, an extensive examination of the program has shown that the problems run much deeper.

SSI for children is a rudderless program. It has no clear congressional direction. Under the adult SSI Program, benefits are extended in order to supplement income that cannot be earned due to a disability. However, payments to children must serve another function because children are not expected to support themselves. The key problem is that the current SSI Program fails to state adequately what providing assistance to these children is really meant to achieve.

Lacking clear direction, the program often fails to serve a constructive purpose. It is impossible to talk about abusive payments when there is no clear statement how these payments should be used. The lack of clarity has led to what we have today, a program that is out of control. Therefore, providing direction to the program should be the focus of the SSI reform.

We, as Members of Congress, have to answer two questions: Who should qualify for this assistance, and what is the appropriate form and use of this assistance?

As the Chairman has said, and as Mr. McCrery has said, and I agree, that in answering these questions we must ensure that the final result is a system which meets the needs of all seriously disabled low-income children in a constructive manner. This must be the bottom line of any reform proposal.

We all know this is a complicated issue. I have been working on it for 1½ years, and in recent months have been working with Mr. McCrery in an effort to agree on a plan for reform. It is clear we agree on the purpose of reform, however, we currently have different approaches for achieving the same goal.

I am hoping that we will be able to work together in the days ahead to find a single bipartisan approach that will make SSI for children an effective, constructive program which helps children maximize their opportunities, where possible, to become self-supporting.

In my written testimony, Mr. Chairman, I highlight problems in the program and outline a proposal for reform. This proposal seeks to capitalize on existing resources to meet the disability-related needs of all low-income seriously disabled children. My plan would replace cash assistance, retain current Medicaid coverage, and institute a supplemental Medicaid plan designed to cover items and services that seriously disabled children desperately need.

An example of items that could be covered would be ramps, telecommunication devices, TDDs, special clothing, child care on week-

ends so the folks can go out, and things of that nature would be envisioned under the Medicaid Plus Plan.

The plan is designed to avoid creating a new bureaucracy and to leave substantial responsibility and flexibility to the States in administering this program.

This proposal also looks to redefine the definition of disability to ensure that seriously disabled children are the recipients of assistance. I believe that we must take a careful look at the individualized functional assessment process which was put in place by the Supreme Court *Zebley* decision. Experts I have spoken with have questioned the subjectivity of this process. In fact, GAO is expected to release a report soon which raises serious questions as to whether the IFA process is inherently flawed.

I believe we should require the Social Security Administration to review cases regularly to see if a recipient's condition has improved. This is particularly important in the case of children whose condition can change rapidly. I realize this comes with administrative costs, however, reviews generally pay for themselves by the benefits that are saved.

The proposal calls for the incorporation of Medicaid divestiture language in the SSI Program. I recently came across a case involving a child applicant. The family of the child received a \$12,000 inheritance from the child's paternal grandfather who had passed away. This inheritance would certainly have made the child financially ineligible for assistance. However, the family spent \$3,000 of the inheritance and gave \$9,000 to the maternal grandfather which is the majority of the inheritance, and therefore the child was awarded SSI benefits. This divestiture language from the Medicaid Program is designed to prevent this situation from occurring.

This proposal is aimed to achieve one bottom line: To serve the needs of all seriously disabled low-income children in a constructive manner. It is a blueprint of one way to achieve the goal, and I look forward to working with Mr. McCrery, with the Committee, with groups of interested citizens and advocates to design a program that will work.

It is easy to come and to criticize those who propose reform. But it is harder to come forward with reform proposals. And so the advocates that will follow us, I ask them to give us some idea how we can change the program, correct some of the worst abuses, while still providing for children who need it.

Mr. Chairman, I again look forward to working with the Committee. Hopefully, we can make this part of the welfare reform proposal which the Committee is working on now.

[The prepared statement follows:]



**Statement of Congressman Gerald D. Kleczka  
Before the Human Resources Subcommittee  
January 27, 1995**

Mr. Chairman, I would like to commend you for holding this hearing today and thank you for inviting me to testify. Over the last few years, public attention has begun to focus on the enormous problems in the Supplemental Security Income (SSI) program. Over 15 months ago, I first came before this Subcommittee to mention reports I had heard about the failings of the child SSI program. While public attention often focuses on allegations of fraud and abuse -- and, in fact, my original testimony from last year did so -- the extensive examination of the program has shown the problems run at a deeper level.

SSI for children is a rudderless program. It has no clear congressional direction. Benefits are extended to low-income disabled adults to supplement income that they cannot earn due to their disabilities. Payments to disabled children, however, must serve another function because children are not expected to support themselves. The key problem is that the current SSI program fails to adequately state what providing assistance to these children is meant to achieve. Lacking clear direction, the program often fails to serve a constructive purpose. It is impossible to talk about abuse of payments, therefore, when there is no clear statement of how those payments should be used. The lack of clarity has led to what we have today -- a program growing out of control.

Therefore, providing direction to this program should be the focus of child SSI reform. We should answer the two questions: (1) who should qualify for assistance?; and (2) what is the appropriate form and use for this assistance? In answering these questions we must ensure that the final result is a system which serves the needs of all seriously disabled low-income children in a constructive manner. This must be the bottom line of any reform proposal.

As you know, Mr. Chairman, this is a complicated issue. That is why we have been considering it for so long. My colleague, Mr. McCrery, and I have been engaged in discussions on this issue, and I have enjoyed working with him on this matter. It is clear that we agree on the basic purpose of reform. However, we currently have different approaches for achieving the same goal. I am hopeful that we will be able to work together in the days ahead to find a single bipartisan approach that will make SSI for children an effective, constructive program which helps children maximize their opportunities to become self-supporting. I would now like to take this opportunity to present some background information and outline my ideas about how to improve this program.

### **Background**

SSI was created as part of the 1972 amendments to the Social Security Act (P.L. 92-603). It began providing assistance to low-income disabled, blind, and aged individuals in 1974. Since then, SSI has grown into a \$24 billion program serving more than 6 million people. In 1995, individual SSI recipients will be eligible for up to \$458 per month in federal assistance plus an optional state cash supplement and Medicaid coverage.

**Inclusion of Children:** When the program was developed in 1971, there was significant debate over whether children should be eligible. The House thought so, and the Ways and Means Committee wrote that disabled children "are deserving of special assistance in order to help them become self-supporting members of our society." On the other hand, the Senate disagreed, stating that the lone difference between disabled and non-disabled children's needs was in medical costs. Despite this difference of opinions, the House prevailed and the enacted bill allowed child eligibility for SSI. However, despite the House Ways and Means Committee's clear intention that the funds be used to help qualifying children become self-supporting, the statute contained no requirement that the assistance be used to do so.

**Definition of Disability:** For SSI purposes, an adult is deemed disabled:

"if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months."

Substantial gainful activity (SGA) is generally defined as \$500/month. A child can qualify for SSI:

"if he suffers from any medically determinable physical or mental impairment of comparable severity" to that of an adult.

**Pre-1990:** For the first 16 years of the program, children were considered disabled if their impairments met or equalled the severity criteria listed in SSA's medical standards (called a listing). Adults who did not qualify under this test could still be found eligible under a residual functional capacity test based on their ability to engage in substantial gainful activity. This second level of evaluation was not applied to children because they generally do not work to support themselves. Thus, in December of 1989, only 296,000 children were in the program.

**The Zebley Decision and Post-1990:** However, in February of 1990, the Supreme Court, in *Sullivan v. Zebley*, issued a ruling which would have far-reaching implications for the SSI program for children. In this ruling, the Court determined that the Social Security Administration's (SSA) regulations did not comply with the statute. The decision found that the evaluation for children violated the "comparable severity" clause of the law. Thus, the Court ordered SSA to adopt a process for children analogous to the adult procedures. SSA responded by adopting a second tier whereby children whose impairments do not meet the listing may still qualify through an individualized functional assessment (IFA), which compares the child's behavior to that of unimpaired children of the same age. Since the adoption of the IFA and a revised listing of childhood mental impairments (which was issued in December 1990), the number of children on SSI has almost tripled.

### **Rationale for Reform**

**SSI Now Provides Monthly Cash to Many Children with No Strings Attached:** What began in 1974 with payments to just 71,000 children has grown to include almost 900,000 children at a cost of over \$4.45 billion each year. Most alarmingly, almost two-thirds of this increase has come in the last five years, and the program continues to grow today.

**Needs Direction from Congress:** The HHS IG recently issued a report on this program. The IG found that the program lacked clear direction from Congress. Without a well-defined purpose, SSI provides cash to these children but does not require that the money be used constructively or for disability-related purposes. It is no wonder that so many problems have been reported, and that the public is demanding change. Specifically, the IG wrote that:

\*\* SSI does not consider the added costs to a family created by an impairment in determining a child's eligibility.

\*\* neither the statute nor the regulations include a requirement that payments be used solely for the special needs of children with disabilities.

\*\* many of the children's needs are being addressed, at least in part, by other assistance programs (such as food stamps, AFDC, and a variety of special education services).

In concluding its report, the IG wrote:

"We believe that the intent of the SSI program for children with disabilities, and the manner in which some children are determined eligible by individualized functional assessments need to be revisited by Congress."

**Moral Hazard:** With its lack of direction, the current system can create an awful dilemma for parents of disabled children. Should a child receive the treatment which could lead to self-sufficiency, his or her SSI eligibility would be threatened and the family could lose its monthly cash benefits. Thus, a system exists which provides a disincentive for receiving treatment. This disincentive fails the recipient and the program.

Additionally, the existence of cash benefits can create an incentive for seeking classification as disabled. Along with this classification often comes a stigma which a child cannot easily overcome. Thus, if a child with a condition that can be expected to improve is classified as disabled, this can create a cycle of dependency and hamper further development.

**Reports of Problems in the Program:** My office and many other congressional offices have heard from a variety of sources (parents, teachers, social workers, school officials, Social Security workers, and administrative law judges) who have numerous concerns about the current program and accounts of problems. Reports such as these are too prevalent for a taxpayer-funded program:

\*\* the parents of a child with oppositional disruptive disorder refuse to allow the child counseling due to fear that the child's condition might improve, and therefore the child would lose eligibility for benefits.

\*\* the parents of a child with attention deficit disorder refrain from giving the child Ritalin so as not to allow the medication to "screw up his SSI."

\*\* a 16-year-old child who had a childhood illness and had been on SSI for quite a few years came into a Social Security office to report income from a job she had gotten. When asked about her disability, she said that she had none and the SSI payments were simply money that her mother gave her.

**Flaws in the Program:** Reports abound of children with allegedly suspect disabilities qualifying for assistance. Behavior that could be addressed by parents or a school counselor can qualify a child for more than \$5000 a year in assistance (plus Medicaid in most states). In fact, GAO found that 13.3% of all child awards are for disabilities classified as behavior problems. Clearly, we should help families of low-income children with serious physical or mental disabilities. However, we should target this assistance to ensure that it used appropriately.

**Few If Any Reviews:** The current system provides cash payments to children with behavioral problems, and, once a child gets on the program, even if he or she has a condition which could improve, the child often remains on it without a review of disability until age 18.

**Households Can Have Several Recipients:** Currently, a number of members of a single household can receive maximum benefits. An SSA study found that there are at least 60 households in this country with 12 SSI recipients. At 1994 levels, such a household would receive a potential federal benefit of over \$64,000 per year (plus the possibility of an additional state supplement and Medicaid coverage depending on the state).

**Attractive Benefits:** Some suggest there are those who move from the Aid to Families with Dependent Children (AFDC) program to SSI in order to take advantage of SSI's more generous benefit amounts. The HHS IG studied one sample of children on SSI in 1992 and projected that 58% were receiving AFDC benefits at the time of their SSI applications.

To illustrate, look at the State of Wisconsin using January 1994 benefit levels. A Wisconsin family of three (one mother and two children) on AFDC would receive \$6,204 annually. However, if one child qualified for SSI and the other child and mother remained on AFDC, the family would receive \$11,652 annually, or an increase of \$5,448. And, if both children qualify for SSI and the mother remained on AFDC, that family would receive \$15,720 annually, or an increase of \$9,516.

### Summary and Goals of Reform Supplemental Needs Assistance For Disabled Children

**Summary:** The bottom line of reform should be to find a system which serves the needs of seriously disabled children in a constructive manner. I believe that we should consider replacing the current monthly cash payments which have few requirements with a system that targets services directly to the needs of qualifying children. In so doing, we should ensure that this assistance plays a role in improving the long term outlooks of disabled children who could one day be self-supporting. Finally, we should only provide assistance to seriously disabled children.

Therefore, my proposal for reform is focused on two central goals:

- (1) **targeting the necessary assistance to seriously disabled children; and,**
- (2) **amending existing coverage to provide additional medical services, durable goods, and other necessary items (rather than cash payments) to disabled children to maximize their opportunities to become self-supporting.**

The proposal achieves these two goals by building on existing resources. By supplementing Medicaid coverage, it constructively targets the necessary assistance to seriously disabled children.

### Specifics

**Medicaid Plus Replaces Cash Payment to Children:** SSI payments are designed to replace income which a disabled, blind, or aged person cannot earn due to an impairment or age. Most children do not earn income to support themselves regardless of whether or not they are disabled. Therefore, for a child, there is generally no income to replace. Moreover, programs already exist to meet low-income children's needs which do not arise from their disability. Under this proposal, cash assistance would be replaced with expanded medical coverage. Needs of qualifying children which result from disability and are not covered by Medicaid would be met under the Medicaid Plus program.

The objective of this supplemental needs assistance is to target resources to qualifying disabled children so that their disability-related needs are met in a way that allows them to maximize the chances that they will one day achieve independence and engage in substantial gainful activity. The coverage for low-income disabled children would then concur with the Senate Finance Committee's observation in 1972, that the needs of disabled children versus those of non-disabled children, "are generally greater only in the area of health care expenses."

**Medicaid Plus Services:** For those recipients qualifying for Medicaid, a large portion of their medical needs are met through this coverage. Especially when one considers the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) program, a wide range of services are included. Medicaid Plus would seek to provide those items which are not available under Medicaid coverage. Needs of the child which are disability-related would be covered. Examples could include home improvements such as ramps, respite care, and medically-necessary computer equipment used to help a disabled child with functioning in society. It would be a goal of this program to assist the families of seriously disabled children in providing for them without the need of institutionalization.

**Operation of Medicaid Plus:** Medicaid Plus would supplement a state's Medicaid services. The States would have substantial responsibility and flexibility in identifying the child's disability-related needs and meeting these needs. Federal funds would match all state Medicaid Plus expenditures at the Medicaid rates. SSI eligibility would continue to be determined by the state disability determination services (medical) and SSA (financial). Thus, Medicaid Plus assistance would leverage existing resources and NOT create a new bureaucracy.

SSI children choosing to utilize the supplemental Medicaid Plus coverage would have to undergo a screening under the EPSDT program. This screening would seek to identify as many needs of the child as necessary. Other necessary items would be provided for, as identified.

Items provided for under Medicaid Plus would be capped at \$2,500 dollars per year. Exceptions from an individual's cap would be made for reasonable and medically-necessary capital expenses (such as ramps or other home improvement and computer equipment). These capital purchases would only be made at acceptable frequencies.

**Mandatory Redeterminations:** Before the 103rd Congress, there was no required review of continuing disability for SSI recipients. The result was a program that, for all practical purposes, provided possible lifetime benefits regardless of improvement in a recipient's condition. In the last session, a mandatory review was instituted for child recipients at the age of 18. However, this is still not frequent enough to protect taxpayer funds.

This proposal includes a required redetermination for SSI children whose conditions might be expected to improve. This redetermination would occur at least every five years in an attempt to determine whether a disability continues. Children with qualifying disabilities for which improvement cannot be expected (such as those with Down's Syndrome) would be exempted from this redetermination requirement.

**Definition of Disability:** The financial requirements for the program would be the same as for the current SSI program, with Medicaid asset divestiture rules applying. However, the definition of disability would be altered to clarify that only seriously disabled children should be receiving this assistance. I would not oppose eliminating the IFA process. Many of the experts I have spoken with question the subjectivity of this process, and GAO is expected to release a report soon which raises serious questions about whether the IFA process can be improved more than marginally or if it is inherently flawed.

Mr. Chairman, this is not an easy issue. There are no quick solutions. That is why I look forward to the work of Mr. McCrery and this Subcommittee, as well as the comments of the others here today. My proposal is one way to approach this problem and I am hopeful that constructive discussion to follow will lead to the formulation of an answer which will meet the bottom line: serving the needs of all seriously disabled children in a constructive manner.

Chairman SHAW. Thank you very much, Jerry, and again my apologies for putting you in Massachusetts rather than Wisconsin.

Mr. KLECZKA. Some people in Wisconsin would like me to be from Massachusetts.

Chairman SHAW. Be careful. I am apologizing.

You and I have talked about the welfare system in Wisconsin. I certainly should have known better. And, Jerry, I want to thank you and Jim for taking the lead on this Committee in spotlighting some problems in a very important Federal financing fund, which has been abused, but must be preserved. The good parts must be preserved and it must be tightened up so the system cannot be gamed.

Do any of the Members on either side have any questions of this panel?

Mr. RANGEL. Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. I wanted to compliment the Chair and these witnesses for making it abundantly clear that they want to cut out the abuses and not the benefits for people who are eligible and who are qualified. I think that has been made clear. But I hope in the future as we move forward, that we can get rid of this mean-spirited language that makes it appear as though every program designed to give assistance to the poor, whether they are sick or whether they are kids, is going to become a Federal target under the new leadership.

They are not as compassionate as you are in making it clear that we have abuse and we have to save the taxpayers' dollars. Because even if you are sincere, when this is all over, you find out that those who lose the benefits are minorities and are children and are poor. Unless it is abundantly clear that they are not the targets, we could have very, very serious political problems.

I say this to compliment the Chair who has done this throughout the hearings, and certainly our colleagues on the Committee. But I am afraid when this bottom line is drawn, those who have capital and wealth will be the beneficiaries and those that are just trying to survive in this system on the city, State and Federal level are going to find that there is less available to them.

So thank you for your patience, and I thank the witnesses for their observations of a good program that may have a few bad people manipulating it.

Chairman SHAW. Mr. Camp.

Mr. CAMP. Mr. Chairman, I just want to say that I agree with my colleagues on the need for reform, and like you, I heard from teachers and school officials who care very much about the children they teach who called me and made me aware of the abuses within this system because they are often asked to be the witness in the IFA evaluation. And so that is how they know what is going on.

And I just want to say that I look forward to working with both of you. I hope we can come up with a bipartisan approach to reforming the system.

Thank you very much.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

Like my colleagues, I very much welcome the testimony of both of our distinguished colleagues and commend them for their effort to get at the abuse in this program.

Mr. McCrery, let me just ask you or Mr. Kleczka, in terms of SSI for Children, do you have, based on your work, any guess or estimate as to the extent of the abuse?

And, Mr. McCrery, do you have any idea what the effect of your proposal would be? What percentage of those children now receiving benefits would be eliminated from the program?

Mr. MCCRERY. If, Mr. Levin, we do away with the IFA, the individualized functional assessment, and you take out of the universe children who have qualified for SSI under that subjective criteria, it is almost 30 percent of the universe. We suspect that some of those children could have qualified under the medical listings in the SSI Program.

So if you say that, maybe, 10, 15 percent of those could have qualified under the medical listings, I would say rough figures, 25 percent of the children may not be on the rolls if you do away with the IFA.

Mr. LEVIN. So you are saying that about 25 percent who are now on the rolls would be eliminated. Do we have any assessment as to the nature of the disabilities of those children, of the 25 percent who would be eliminated from the rolls? Because I think we are reading—or will hear elsewhere, that a number of those children who did not qualify under the medical listing have disabilities of some severity. Do we know what the nature of the disabilities are of the children—of this 30 percent?

Mr. KLECZKA. Mr. Levin, if I could respond to that.

The post-*Zebley* decision provided for the individualized functional assessment test. And it is a much broader measure than the medical listings prior to the Supreme Court. And so today we have such things as conduct disorders being made part of the qualifications for SSI payments. We also have a standard where if the child is not up to the norm or his or her actions are not up to the norm of a child the same age, that would qualify the child.

So what we see here is a very relaxed standard by the *Zebley* decision. However, I should point out that in 1990, about the same time as the Supreme Court decision, there was a change in the medical listings. And what I would think that we have to do before we finally draft the plan or submit it to the Committee, we have to also explore those listings. Part of the revised regulations on SSI include what we know now as ADHD which is a hyperactivity disorder. And I think there, again, like the conduct disorder or IFA, that has to be seriously looked at for many children who qualify under ADHD.

When I discussed this with my sister when I was back home last week, there were four of us in the family, myself, a brother and two sisters. And after I explained what that was all about, she indicated that back when we were growing up, we all would have qualified for that. However, the program was not around. So it has to be seriously looked at, Mr. Levin.

Mr. LEVIN. Because in the testimony that is coming from, I think, from Jane Ross, it says in 1990 SSA revised its medical standards for assessing mental impairments in children, adding

separate listings for such impairments as attention deficit hyperactivity disorder, autism and other pervasive developmental and personality disorders.

My time is up. I commend you for your efforts, and I hope that your efforts will lead to some constructive effort in Committee.

Mr. RANGEL. Would the Chairman yield for a moment?

I just wanted to find out under what heading did my colleague become eligible for SSI as a child?

Mr. KLECZKA. This colleague? Conduct disorder, I am sure, Mr. Rangel.

Mr. RANGEL. I am inclined to agree, I just wanted to check it out.

Mr. KLECZKA. In fact, it is continuing in my adult age.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

I appreciate your testimony this morning, and I am sure that as a child that the amount of time that I spent with my nose in the corner of a classroom, I would have had a disruptive type of behavioral disorder and would have qualified for this.

But, obviously, we are here to try to determine the best way to use the taxpayers' dollars. I think that there is no question that all of us believe that people, and especially children who are truly disabled, need to be provided extra assistance.

How can we, Mr. Kleczka, in a bipartisan fashion, come up with some legislation that can prevent the abuse without spending so much money trying to chase after the abuse? You know, for every dollar that you try to save, you spend \$2 trying to monitor the savings. Do you have some suggestions on that?

Mr. KLECZKA. Well, I think the first thing we have to do is redefine and tighten up the criteria. I know full well there will be some reexaminations of some of the children that would not be eligible under that criteria. But as Jim indicated, with a 30-percent growth due to a court decision called *Zebley*, which instituted the IFA, the individualized functional assessment, that has caused the most problems that we read about and hear about from our constituents. Once we look at that, that could be a big part of cleaning up some of the problems and providing some direction for this program.

Mr. ENSIGN. Before that decision, was the abuse nearly as bad or was it still bad before that decision, Mr. McCrery?

Mr. MCCRERY. Yes, Mr. Ensign, there was some abuse prior to the *Zebley* decision, and Mr. Kleczka referred to that earlier. There was some rewriting of the regulations just prior to the *Zebley* decision which expanded the medical impairments listing. And we do need to take a look at that as well. However, if you just do away with the IFA, you have solved the bulk of the problem. Mr. Kleczka said 30 percent. It is actually a 300-percent increase since the *Zebley* decision.

Mr. ENSIGN. Thank you, Mr. Chairman.

Mr. KLECZKA. Mr. Chairman, one further point. Since 1980 to 1985 to 1990, there was, I would say, growth in the program, but it was moderate. From 1980, it was 229,000 children; 1985, 265,000 children; and in 1990 when the new listings came out and the *Zebley* decision, we were at 340,000; then in 1991, it grew to 439,000; 1993, 771,000; and in 1994, 893,000. So we have seen rapid, rapid growth since 1990.



Mr. McCRERY. Mr. Chairman, I also want to recommend to the Committee, you have at your desk a reprint of articles from the Baltimore "Sun" that ran over the last week or so. This is a compilation of articles, not only on the children's program but the ad-dicts, and so forth. But the article on the children's program is excellent.

John O'Donnell and Jim Harner did excellent research. And I recommend this very highly to the Members of the Committee to get a sense of the abuses in this program.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Let me ask my colleagues, how much of this in rewriting the regulations, as you mentioned earlier, can be placed—not blamed per se, on the SSA and its disability determination section. The administrative part of this and many of these applications, like on this conduct disorder my colleague talked about earlier, how much of this has the administration indicated are caused by the lack of resources and the lack of financial resources to address this problem, such that they have let so many of these cases go, that we have seen abuse in the SSI Program?

Mr. McCRERY. Mr. Ford, on the next panel, there happens to be an area manager of disability determinations from the State of Louisiana. And each State, of course, has their own disability determinations. It is handled by the States. But Mr. Parker will be able to answer this question more fully.

But basically, the information I have received from disability determination workers is that their hands are pretty much tied. They have to qualify children if they meet these criteria. And they are not happy about it. But there is not much they can do because of current law.

Mr. FORD. Are the regulations written in such a way that this conduct disorder is on this checklist and it could qualify one of these children for the disability benefits?

Mr. McCRERY. Yes, sir.

Mr. FORD. So, don't you see the SSA needing administrative help to address some of these problems?

I saw, in the last couple of years, many of the applications of these fake disabilities. Some of the claims have been filed, and many of these claims have been denied—only in the recent 15, 18 months. Why was this not a fact, maybe 4, 5, 6, 7 years ago after the 1989 Supreme Court case?

Mr. KLECZKA. If I understand the question, in my meetings with the Wisconsin SSA officers and also the determination board which is housed in Madison, Wisconsin, their workload is high, but nevertheless they are keeping up with it.

I know full well right after the re-review and the change of listings in 1990 and the Supreme Court decision, they were just flooded with reapplications, redeterminations, with some very large back payment checks. And I think all of that has now sort of settled down. They still do not have the resources, Mr. Ford, for any re-reviews and that is the sad part.

Mr. FORD. Any idea how many applications are pending now before the SSA?

Mr. KLECZKA. It is State by State. I have no idea on what the Wisconsin application backlog would be.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. OK, I believe if there are no other questions of this panel—Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman, and gentlemen, thank you for your testimony. We look forward to hearing it expanded in the panels we hear today.

I would like to make mention of the fact that the gentleman from New York referred earlier to lack of compassion among Republicans and leadership on this issue. But as Speaker Gingrich has said over and over again, our goal with SSI is to bring integrity back into this program and to find a way to protect the needy, but to stop the cheaters.

Thank you, Mr. Chairman.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Just quick, because we have a vote. I am not quite clear what happens to 209(b) States which have more restrictive Medicaid criteria than SSI. How does your proposal affect those States?

Mr. MCCRERY. At the present time, we don't have a provision affecting those States. As you know, they were opted out some time ago. And that continues to be a problem, even under the existing system. So it is possible that we could address that within the context of this reform, but so far, we have not come up with any proposal.

Mr. KLECZKA. Mr. Chairman, if I might before we go for the vote, Mrs. Kennelly, let me ask you a question, if that is proper. Are the SSI children receiving adequate medical care in your State and the 12 other 209(b) States?

Mrs. KENNELLY. We have an interesting situation. We are one of those States that SSA says only has one child receiving Medicaid and SSI.

Mr. KLECZKA. I think that is the criteria I will judge. If the 209(b) States are providing adequate medical services, let them continue. Any additional services that we provide in lieu of cash or if we do a block grant, I am assuming that States, take Connecticut, would participate in that, or if it is totally refunded, you would not have any fiscal responsibility.

Chairman SHAW. Thank you.

I would like to just highlight what Ms. Dunn said. I think sometimes we hear each other here in the Congress but we are not listening to each other. I don't see that there has been a lack of compassion expressed by anybody on this subject. Nor do I expect to hear that.

I would like to thank Jerry and Jim for being part of this panel. If Mr. Parker and Mr. Gardner and Ms. Higginbotham would come to the witness table.

We are going to recess.

I would like also to ask while we are recessing—it will be about 15 minutes while we pick up these votes, if the television sets, and I assume we are through with them, if they could be removed, it would be helpful to us.

Thank you.

Recess for 15 minutes.

[Recess.]

Chairman SHAW. We are this morning going to be disrupted I think quite a few times for votes, but we will proceed as expeditiously as we can under the circumstances. Recognizing that many of you are here at some sacrifice to your personal schedule and personal convenience, we will be as thoughtful as we possibly can.

On our next panel we have Wayne Parker, the area manager of the State of Louisiana Disability Determinations Service, in Shreveport, Louisiana, who will describe the abuses he has seen in the disability program involving children. He is joined by James Gardner, past president of the Association for Retarded Citizens, and himself the parent of a disabled child. Finally, Karen Higginbotham, parent of a disabled child, who is joining us today from Opelousas. I am corrected by the gentleman from Louisiana.

Welcome to all of you, and those of you who have submitted testimony, we have that, and it will be made a part of the record. If you care to summarize, you may.

I will begin with you, Mr. Parker.

**STATEMENT OF WAYNE PARKER, AREA MANAGER, STATE OF LOUISIANA DISABILITY DETERMINATIONS SERVICE, SHREVEPORT, LOUISIANA**

Mr. PARKER. Chairman Shaw, Members of the Subcommittee, I am Wayne Parker, the area manager of the Disability Determinations Office in Shreveport, Louisiana. However, the testimony I will give you today is not the official position of my agency, but that of a concerned citizen and the father of a child with multiple medical problems.

I have become aware of the enormous problems created by new guidelines since the *Zebley v. Sullivan* Supreme Court decision was made in 1990. Prior to this decision, SSI children's claims were adjudicated by determining if the child's medical impairment met or equaled the severity of the medical listings. Now they are also evaluated using an individualized functional assessment.

As a result of the new criteria, the educational community has been requested to provide information detailing how the child functions at school. This additional requirement has created enormous problems in the educational community and for the children whose claims are being adjudicated.

Let me share with you some of the problems that have been expressed to me by teachers, principals and special education personnel.

Teachers have been asked to spend a significant amount of their time each year completing forms for this program, instead of teaching students and preparing lesson plans.

Reports from teachers state that frequently average students become behavior problems and start performing poorly in school just prior to the time they receive an SSI form to complete.

Several teachers have reported overhearing their students discuss what you have to do to receive a crazy check.

One teacher reported that a child told her that his mother had promised him a Nintendo if he would fail and get expelled from school.

A first grade student from Riverside Elementary in Simmsport, Louisiana, asked her teacher if she was crazy. When the teacher asked her why she asked such a question, the little girl replied, "My Mama said I had to be crazy so she could get a check."

One fifth grade teacher in Avolles Parish reported a parent who wanted her child moved away from another child because the child kept telling her child how stupid he was for completing his homework. The child said he was going to get an SSI check and was never going to work.

The principal of South Side Elementary in Lake Providence reported being called from his office to see a student who was rolling around in the hall yelling, "They are after me." When he arrived, he found nothing wrong with her, but one of the teachers said, "We'll be getting the forms on her pretty soon." They received the forms 5 days later.

Teachers, in some cases, have been threatened because the child they completed an SSI form on had been denied benefits.

Special education personnel have been forced to evaluate students on demand from parents even though teachers had not identified an educational or health concern.

Some parents have demanded that special education personnel lower test scores so their child would qualify for SSI.

Some parents have even demanded that their child be placed in a special education classroom when the child was performing well in school.

A preschool child from East Carroll Parish told a school psychologist that he saw balloons coming out of the walls. When questioned about the statement, he said, "Oh, I forgot, mamma said say blood was coming out of the wall."

This list could continue. However, the educational community is not alone in the problems seen with the SSI children's cases. Psychologists performing intelligence tests and mental status exams for disability determinations frequently report children who have been coached or have not performed to their maximum capacity.

Disability examiners have also identified additional problems in the development of evidence on a claim. They have seen grades that have been changed on report cards, names that have been changed on school records, school function forms that have been changed after the teacher has completed them, and names that have been changed on medical records.

What happens to those who attempt to obtain benefits through fraud and are caught in the process? Nothing. We are told there is nothing we can do. I am not aware of any attempt to prosecute anyone for attempting to fraudulently obtain benefits.

A recent GAO study found 67 percent of SSI child claims are approved because of mental impairment. The number of children's claims approved because of a mental impairment has quadrupled since the criteria were loosened. However, many disability examiners and medical consultants are concerned that there is not comparable severity in SSA guidelines between children with mental impairments and adults with physical impairments.

Since the *Zebley* decision was made, there has been a drastic increase in the number of SSI claims. In the Shreveport office, we have received more than twice the number of children's claims

than the combined total of Social Security disabled workers, disabled widows and children of disabled, retired, or deceased workers. Despite the large number of claims being approved for benefits, very few continuing disability reviews are being performed to determine any improvement in the condition of the children.

The increase in frivolous applications has resulted in increased administrative cost to the agency. There has been a significant increase in personnel cost and the number of consultative exams purchased by the agency. This cost is due not only because of the increased number of claims but also due to the number of claims filed with no current source of medical evidence to support the allegations.

Mr. Chairman, Members of the Subcommittee, thank you for this opportunity to appear before you today.

[The prepared statement follows:]

**Testimony of Wayne Parker,  
Area Manager, Disability Determinations Service,  
Shreveport, Louisiana**

**Subcommittee on Human Resources  
House Ways and Means Committee  
January 27, 1995**

Chairman Shaw, and Members of the Subcommittee:

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This additional requirement has created enormous problems in the educational community and for the children whose claims are being adjudicated. Let me share with you some of the problems that have been expressed to me by teachers, principals and special education personnel.

1. Teachers have been asked to spend a significant amount of their time each school year completing forms for this program, instead of teaching students or preparing lesson plans.
2. Reports from teachers state that frequently average students become behavior problems and start performing poorly in school just prior to the time they receive an SSI form to complete.
3. Several teachers have reported overhearing their students discuss what you have to do to receive a "crazy check".
4. One teacher reported that a child told her that his mother had promised him a Nintendo if he would fail and get expelled from school.
5. A first grade student from Riverside Elementary in Simmsport, Louisiana asked her teacher if she was crazy. When the teacher asked her why she asked such a question the little girl replied, "my mamma said I had to be crazy so she could get a check."
6. One fifth grade teacher in Avolles parish reported a parent who wanted her child moved away from another child because the child kept telling her child how stupid he was for completing his homework. The child said he was going to get an SSI check and was never going to work.
7. The principal of Southside Elementary in Lake Providence reported being called from his office to see a student who was rolling around in the hall yelling, "They are after me." When he arrived he found nothing wrong with her, but one of the teachers said, "We'll be getting the forms on her pretty soon." They received the forms five days later.
8. Teachers, in some cases, have been threatened because the child they completed an SSI form on had been denied benefits.
9. Special education personnel have been forced to evaluate students on demand from parents even though teachers had not identified an educational or health concern.
10. Some parents have demanded that special education personnel lower test scores so their child would qualify for SSI.

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Since the Zebley decision was made, there has been a drastic increase in the number of SSI child claims. In the Shreveport office we have received more than twice the number of children's claims than the combined total of Social Security disabled workers, disabled widows and children of disabled, retired, or deceased workers. Despite the large number of claims being approved for benefits, very few continuing disability reviews are being performed to determine any improvement in the condition of the children.

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Mr. Chairman, and Members of the Subcommittee, thank you for the opportunity to appear before you today.

Chairman SHAW. Thank you.  
Mr. Gardner.

**STATEMENT OF JAMES B. GARDNER, MEMBER OF THE BOARD  
AND PAST PRESIDENT, THE ARC, FORMERLY ASSOCIATION  
FOR RETARDED CITIZENS OF THE UNITED STATES**

Mr. GARDNER. Ladies and gentlemen of the Committee, I appear before you today to tell you that according to all reliable available data and my own personal experience over the past two decades since my daughter was born, Supplemental Security Income is achieving just what it was intended for in the vast majority of cases. It is the one program which empowers the family, which is unique and diverse in each and every case, to meet the real needs of the child with mental retardation and other severe disabilities.

Although my daughter passed the maximum age of 18 more than 3 years ago without partaking prior to that time of the benefits under discussion here because we were not poor by Federal standards, I know that the cash subsidy, although only \$458 per month, in tandem with the medical coverage provided by Medicaid, has avoided the incredibly more costly and devastating consequences of a lifetime of institutionalization.

My personal experience, interaction with many families, and dealing with advocates, consumers and professionals over the years while serving as president of The Arc of Louisiana and The Arc of the United States, convinces me without a doubt that if the cash subsidy is eliminated in favor of a more restricted parceling out of a limited list of services without regard to the diverse needs of the American family and the SSI beneficiaries, the result will be a substantial increase in homelessness of poor families, as well as a sharp increase in costly out-of-home placements and inappropriate institutionalization.

The SSI cash subsidy was not intended for medical expenses, for children and adults, but rather for food, shelter, clothing and the many extra increased expenses occasioned by severe disability.

What about child care, transportation, nutritional supplements, assistive technology, increased cost for utilities, respite care, diapers, and even counseling for some or all family members in the family? People with mental retardation and other disabilities need all of these things and more.

The SSI cash subsidy may well enable a parent to stay home and take care of the child. It was intended to benefit the entire family, not just the child. By benefiting the family, it also benefits the child.

Every out-of-home placement envisioned by the public or private sector is vastly more expensive than the cash subsidy under discussion here when the child remains at home. Average annual institutionalization costs of \$77,434 are more than five times the expenditure for keeping the child at home and providing SSI and special education costs totaling \$15,500. This is a savings of \$62,000 per year per child.

Mental retardation is a lifelong disability. It does not come and go. A consistent body of medical and developmental history is almost always available to support the diagnosis, and this largest group constitutes 44 percent of the enrollment of children on SSI.



Mental retardation cannot be faked. Social Security studied more than 600 applications last year, and of the 13 where faking was suspected, only three were accepted in the program, but on other information than the test results which were disregarded in making the determination.

Approximately half the people who apply now are rejected nationwide to the program, and 62 percent are rejected in my home State of Louisiana, which is the highest rejection rate in the United States. No other studies or statistics have been developed or offered to date during these discussions in recent times.

A commission created last year to study the SSI Children's Disability Program is in place and ready to begin its work right now and report to you in November. Why not let the commission do its work?

The hundreds of thousands of families who are receiving the cash subsidy and doing the right thing by their children find themselves about to lose the cornerstone of their security because of alleged but yet unquantified abuse by a small minority of recipients who certain members of the media, public educators, and bureaucrats claim to have found ripping off the system.

If we assume they are correct, why not first examine the effectiveness of the Social Security Administration and the State agencies charged with processing and determining eligibility?

Why not examine and attempt to make more effective the monitoring of the expenditures of representative payees of children?

Why not reevaluate eligibility of all children every 2 to 5 years depending on the original diagnosis and the strength of documentation on the issue of the permanency of the disability?

Some conditions will never change with treatment, but some do change. As a litigator professional in the tort system, I know that psychiatry and psychology have procedures and skills to identify the malingerer from the genuine. Why not improve the utilization of that expertise and the eligibility and review process to address the problem rather than simply throwing out the baby with the bath water?

My professional education coupled with the support of my extended family allowed me to generate adequate resources to keep my daughter at home for the past 21 years. Had those financial and human resources not been available, the cost to the public of our out-of-home placement would have surpassed \$1 million by the time she reached the age of 18.

Let us not be too quick to replicate this cost across America by pulling the rug out from under poor families with children with mental retardation and other severe disabilities.

[The prepared statement follows:]

STATEMENT OF JAMES B. GARDNER ON BEHALF OF THE ARC  
COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE ON HUMAN RESOURCES  
JANUARY 27, 1995

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### INTRODUCTION

On behalf of The Arc, I want to thank the Ways and Means Subcommittee on Human Resources for this opportunity to testify regarding the Supplemental Security Income program. I am a member of the national Legal Advocacy and Human Rights Committee of The Arc, as well as a Past President of the national organization. I am the parent of a young woman with mental retardation who receives SSI benefits as an adult. As a parent, an active member of our local chapter of The Arc, and an attorney in Shreveport, Louisiana, I am very familiar with the day-to-day struggles of parents, families, and individuals with mental retardation and other serious disabilities.

The Arc is the largest voluntary organization in the United States devoted solely to the welfare of the more than seven million people who are mentally retarded and their families. Its national membership numbers over 120,000 people, more than half of whom are parents of children and adults with mental retardation, and includes people who are mentally retarded themselves. The Arc has approximately 1,200 state and local chapters throughout the country. Since its founding in 1950, The Arc has participated actively in the formulation of public policy with respect to the rights of, and services, supports, and benefits for, citizens with mental retardation, including public policy concerning the SSI and Social Security disability programs.

### SSI AND PEOPLE WITH MENTAL RETARDATION

People with mental retardation who are SSI beneficiaries are dependent upon SSI and Medicaid for many of their basic needs such as food, shelter, clothing, medical care and long term supports and services. About 825,000 children (302,000) and adults (523,000) under age 65 with mental retardation receive SSI benefits. Children with mental retardation constitute 44 percent of the total number of children who receive cash assistance through the SSI program and constitute a majority of the 66 percent of children with mental impairments receiving SSI.

### PROPOSALS FOR REFORMING THE CHILDREN'S SSI PROGRAM

While there is no specific proposal before the Subcommittee at this time, The Arc is extremely concerned about proposals which have come to the forefront of discussions. It is our understanding that a proposal may come forward to eliminate the federal cash benefit to children and, instead, to grant (or block grant) the money to the states to provide services, not cash, to the children whom the states choose to serve. We also understand that the proposal would potentially limit the definition of disability for children, specifically eliminating consideration of functional capacity when determining disability.

We believe that this proposal actually runs contrary to a key precept of this Congress: to reduce government involvement in the lives of its citizens. Rather, the proposal would disempower families/beneficiaries from making their own decisions regarding their own needs within the modest cash benefit amount and, instead, give the funds to the states to develop and provide new services within a specified menu. The proposal would actually reduce a family's flexibility in meeting the needs of the child with severe disability. It assumes that people with low incomes are incapable of making appropriate decisions regarding themselves and their children.

### PROPOSALS IGNORE THE REAL NEEDS OF FAMILIES: CERTAIN NEEDS CANNOT BE MET BY A SERVICE PROGRAM

Many critics of the SSI children's program are ignoring the very real needs of children with mental retardation and other disabilities and their families and are proposing sweeping changes to the program which will harm many families.

The maximum federal benefit for an individual in 1995 is \$458 per month, less than \$5,500 per year. By its very nature, the SSI program provides only a very minimal income subsidy which does not even bring people to the federal poverty line. Families with children with severe disabilities who labor to provide for their children and to plan for their future are struggling on the edges of economic survival. Any type of emergency or unexpected expense could throw many of these families into an economic tailspin. They depend upon the cash which they receive to maintain the family's existence.

Despite the recent sensational news stories regarding the children's SSI program, the vast majority of eligible children benefit from the cash assistance program because it allows their families to meet their needs for food, clothing, shelter, and other basic necessities or goods. Families are able to tailor expenditures based upon the child's current needs and the unique circumstances of the family and are more able to respond to changing or unusual circumstances than typical service systems approaches. In addition, substituting more

services for cash will not address the children's and families' needs for income support to supply basic necessities such as food, clothing, and shelter. We believe that the current mix of SSI cash benefits and the services available through various educational, social services, and health/medical agencies is better suited to meeting the complex variety of a child's needs than an all-or-nothing approach: neither an all-cash approach nor an all-services approach will meet the wide variety of needs in a child's life. Both are required.

Many parents of SSI eligible children with disabilities report that their families would fall apart if the cash benefits were to be discontinued. They point out that they are able to keep their children at home, with the family, rather than in an institution, because of the assistance of the SSI cash. Many are fearful of what will happen to them and their children if cash benefits are halted. Many will be homeless.

If not from a humanitarian view of family and the value of a loving family to a growing child, then from a purely fiscal point of view, the Subcommittee should listen to the pleas of these families. The average cost of institutionalization in this country for people with mental retardation is over \$77,434 per year. The combination of the availability of special education services and SSI benefits for low-income families has significantly reduced the rate of institutionalization of children. In 1969, of the almost 200,000 people with mental retardation living in institutions, about 95,000 were children. Today, it is estimated that only 65,000 people with mental retardation are living in institutions and only 6,000 are under age 21. The significance of this social change should not be ignored; we should not help to reinstate the economic pressures which may ultimately force families to institutionalize their children with severe disabilities. The savings to government are significant, also: combining the average annual costs of special education (\$10,000 per student) with the maximum federal SSI benefit (less than \$5,500) results in annual costs of about \$15,500 per child -- a savings of \$62,000 per year per child versus the costs of institutionalization.

In preparation for this hearing, The Arc sent an informal survey out to families of children who receive SSI benefits regarding their expenditures on behalf of their children, their work situations, and the types of services that their children require, among other things. Our office has been swamped with phone calls and completed questionnaires. Due to time constraints, we were unable to compile the information in a way to do it justice prior to the hearing. However, we are compiling the information and will be happy to supply the statistics and work with Subcommittee Members and others regarding the issues of critical importance to these families.

#### STUDIES DO NOT BEAR OUT REPORTS OF WIDESPREAD ABUSE

Contrary to the conclusions drawn from sensational anecdotal stories in the media and elsewhere, data from three recent federal government studies and reports of the growth in the children's SSI program (General Accounting Office; Social Security Administration internal review; and Department of Health and Human Services Office of Inspector General) indicate that there is not widespread abuse of the system or attempts by parents or children to "fake" disability. The GAO reports that 70 percent of the children who are found eligible for SSI are found eligible on the basis of the medical standards of severity in the "listings". Yet the proposed reforms to the program are designed to broadly sweep away all of the good aspects of the program as well as those areas where improvements could be made.

It is important to comment here on one aspect of the OIG report which is particularly troubling to us. The report states that "If Congress intends the program to help children with disabilities become adults capable of engaging in substantial gainful activity, changes are needed to ensure that the children receive the assistance they need for them to meet this objective." (emphasis added) We have no quarrel with trying to ensure that children have the assistance they need to reach their goals. However, the first half of the statement sets up an unrealistic goal, in fact a "Catch-22", for these children with severe disabilities. Because the eligibility standard for children is supposed to be comparable to that of adults, it makes no sense to expect that all these children will be able to engage in SGA as adults since, by definition, their disabilities are comparable to those that would prevent an adult from engaging in SGA. The reality is that, while some children will eventually become capable of engaging in SGA, very many of them will only be able to become partially self-supporting and many will require life-long supports. The intended effect of providing support early in life, particularly in childhood, is to lessen the potential impact of disability over a lifetime, to prevent additional or secondary disabilities from developing, and to improve the overall potential of the individual. For many children with severe disabilities, a realistic goal would be to reduce the level of need for services over time and to improve the ability of the individual to be a contributing member of society and at least partially self-supporting; it would be unrealistic to expect them to engage in SGA.

#### THE COMMISSION ON CHILDHOOD DISABILITY SHOULD BE ALLOWED TO COMPLETE ITS WORK

In response to the media reports, the 103rd Congress established a Commission on the Evaluation of Disability in Children which is to report to Congress in November 1995. The Commission has been appointed and will begin meeting next week. The Commission should be allowed to carefully assess the complaints about the program and the overall use of the program by children with disabilities and their families. Congress should wait until the Commission has completed its work before it institutes major change.

### OTHER, LESS DRASTIC, REFORMS ARE NEEDED

The Arc acknowledges that there are several areas within the SSI children's program which should be improved; both the implementation of the program and the public trust in the program would benefit. These areas include providing information to parents and others who serve as representative payees for children's benefits regarding their responsibilities, reporting requirements, and appropriate ways in which to spend the cash benefit on behalf of the child. In addition, the Social Security Administration should be conducting regular reviews regarding whether a child continues to be disabled ("continuing disability reviews"). SSA could intensify its efforts to ensure that the disability determination process is being properly implemented in all areas of the country, including increasing training and monitoring of the professionals involved in decision-making. SSA should promote available work incentive provisions more widely and work with the Departments of Labor and Education and other relevant federal agencies to improve the opportunities for children with severe disabilities to work to their highest potential. It may also be necessary to thoughtfully examine possible ways to handle benefits when there are multiple beneficiaries in a family. There are also other targeted ways to address the specific problems of the SSI children's program without wholesale elimination or reduction of the cash benefit upon which so many children and their families depend.

Congress must also recognize that the Social Security Administration will continue in its inability to thoroughly monitor the children's SSI program, and other programs within its responsibility, unless adequate resources are appropriated for administrative expenses.

The Arc is willing to work with the Congress and the Administration to identify and develop appropriate remedies for the problems that actually exist in the children's SSI program. However, The Arc will continue to oppose sweeping changes which are harmful to the vast majority of children and their families and which have no basis other than in sensational, anecdotal stories.

We believe that a thorough discussion of the problems that exist in the children's SSI program requires an understanding of the history and development of the various components which make up the process for determining childhood disability. For this reason, we submit for the record the following summary of events leading to the expansion in the number of childhood disability applications in recent years and the increase in SSI childhood beneficiaries.

### THE HISTORY OF THE SSI CHILDREN'S PROGRAM SHOULD BE UNDERSTOOD

The Arc believes that it is important to view the developments stemming from the *Sullivan v. Zebley* case, the subsequent revised childhood disability criteria, and the revised childhood mental impairment regulations in historical context with an understanding of the problems which existed prior to these major developments. Essentially, it must be remembered that in *Zebley* the U.S. Supreme Court issued a landmark opinion on the basis of the finding that the Social Security Administration's (SSA) regulations regarding childhood disability criteria were inconsistent with the law.

Title XVI of the Social Security Act authorizes payment of Supplemental Security Income (SSI) benefits to children who have an impairments of "comparable severity" to one that would be considered disabling for an adult. Under the Social Security Act, an adult is considered disabled, and therefore eligible for SSI benefits if, in addition to meeting income and resource criteria, he or she has an impairment that prevents him or her from engaging in any substantial gainful activity (SGA). SSA has a five-part test for determining disability for adults. The third step allows a person to be considered disabled if medical evidence of the impairments matches or is equal to ("meets or equals") one of the listings of impairments [20 CFR 404, Subpart P, Appendix 1], which are presumed to be severe enough to preclude any gainful activity. If the adult does not qualify for SSI benefits at that step, steps four and five are designed to allow a vocational analysis to determine whether the adult could engage in his or her past work or any other work given his or her education and work experience.

Prior to the *Zebley* decision, the determination of disability for children ended at the listings of impairments step. To be determined disabled, a child had to show that his or her impairment matched or was equal to one of the listed adult or childhood impairments. If the child could not make such a showing, there was no step in the childhood disability determination process comparable to the vocational assessment for adults. The child was simply found to be not disabled for purposes of the SSI program.

The *Zebley* case was a class action suit on behalf of Brian Zebley, two other named plaintiffs, and all individuals "who are now, or who in the future will be entitled to an administrative determination . . . as to whether supplemental security income benefits are payable on account of a child who is disabled, or as to whether such benefits have been improperly denied, or improperly terminated, or should be resumed". In a 7-2 decision written by Justice Blackmun, the Supreme Court ruled that the childhood disability regulations were inconsistent with the statutory standard of "comparable severity." The Court found that failure to provide for an individualized functional analysis for children nullified Congressional intent to link the childhood disabilities criteria to the adult criteria. The Court went on to state:

The fact that vocational analysis is inapplicable to children does not mean that a functional analysis cannot be applied to them. An inquiry into the impact of an impairment on the normal daily activities of a child of the claimant's age--speaking, walking, washing, dressing and feeding oneself, going to

school, playing, etc.--is, in our view, no more amorphous or unmanageable than an inquiry into the impact of an adult's impairment on his ability to perform any other kind of substantial gainful work which exists in the national economy".

The Court also noted that childhood disability listings were not exhaustive and included only the more common impairments: "There are, as yet, no specific listings for many well-known childhood impairments, including spina bifida, Down's syndrome, muscular dystrophy, autism, AIDS, infant drug dependency and fetal alcohol syndrome."

The judicial resolution of this issue came after years of effort by many advocacy and other organizations in the courts, in Congress, and through SSA to address the failure of the regulations to deal correctly with childhood disability.

In 1990, SSA appointed a panel of experts in child development and childhood disability to help the agency develop criteria for determining disability based on an individualized functional assessment. The experts represented a wide range of areas: general pediatrics, developmental genetics, developmental pediatrics, infant development, behavioral pediatrics, pediatric psychology, pediatric neurology, child psychology, pediatric special education, home and community care, family and support systems, physical and occupational deficits, early childhood education, pediatric rehabilitation, learning disorders, chronic illness and somatics, and communication disorders.

New regulations for determining childhood disability on the basis of functional limitations were published by SSA and were immediately effective on February 11, 1991 as interim final regulations. Final regulations were published on September 9, 1993 with a sunset date of Sept. 9, 1997, when SSA will further review the implementation of the regulations and consider any necessary changes.

Under the regulations, provision is made to conduct an individualized functional assessment, which incorporates all relevant past and present medical and nonmedical evidence in a child's case records. Evidence from people who know the child and his or her functional limitations, in addition to the evidence provided by doctors and other health professionals, is strongly encouraged. Information about the child from parents, other family members, caregivers, educators, and practitioners in other disciplines should be collected. Where discrepancies exist between formal test results and the child's usual behavior and daily activities, SSA requires the documentation and resolution of discrepancies. The evaluation of a child's development or functioning from infancy through childhood to maturation into adulthood may include his or her cognitive/communicative, motor, social and personal/behavioral spheres of activity. The evaluation may further address responsiveness to stimuli (in children from birth to age one); personal/behavioral patterns (in children from one to 18); and concentration, persistence, and pace in completion of tasks (in children from three to 18). The evaluation also seeks to determine the extent to which the child can engage in sustained activities appropriate to his or her age.

In understanding childhood disability determination, it should also be noted that SSA took one other critical action in the early '90s. On December 12, 1990, new regulations or "listings" were published for determining disability for children based on mental disorders (or impairments) and a new listing for disabilities based on Down syndrome or other serious hereditary, congenital, or acquired disorders. This was a result of work initiated by SSA years before the *Zebley* decision. These regulations were effective immediately.

The childhood mental impairments listings were substantially revised and took into account the child's age. The listings improved the criteria for determining who is disabled based on mental impairments before the need for a full individualized functional assessment, while, in fact, including some new functional assessment criteria at the listings level. The listings cover the following: mental retardation; psychoactive substance dependence disorders; autistic and other pervasive developmental disorders; attention deficit hyperactivity disorders; developmental and emotional disorders of newborn and younger infants (birth to age one); organic mental disorders; schizophrenic delusional, and other psychotic disorders; mood disorders; anxiety disorders; somatoform, eating, and tic disorders; and personality disorders.

In the preamble to the new Down syndrome rules, SSA indicated that experience showed that virtually all children with Down syndrome (except Mosaic Down syndrome) would be found disabled when the effects of their impairments could be properly documented and evaluated. Therefore, the new rules allow children whose Down syndrome has been established by clinical and laboratory findings to be considered disabled from birth without waiting until such time as functional limitations could be proven.

Finally, the new listings for multiple body dysfunction due to hereditary, congenital, or acquired conditions assist in establishing disability from such conditions as phenylketonuria (PKU); fetal alcohol syndrome; mental retardation with known causes associated with impairments of other body systems; and other impairments.

#### MUCH NEEDED IMPROVEMENTS FOR CHILDREN

In a nutshell, the final rules for childhood disability determination in response to the *Zebley* decision, the childhood mental impairment regulations, and the regulations for Down syndrome and other serious

hereditary, congenital, or acquired disorders were the result of much careful deliberation over the course of nearly a decade and involved numerous experts on child development and disability. While there are some problems as discussed above, overall the new regulations are a tremendous improvement for children and long overdue. After 20 years, children are just now beginning to receive the consideration of their disabilities which should have occurred from the beginning of the program. With such a long delay in implementation of the original intent of the program, it is no wonder that the numbers of children becoming eligible for the program are increasing rapidly. The dramatic increase in the numbers of eligible children must be seen in historical context and must not be allowed to serve as the basis for inappropriate cutbacks.

#### CONCLUSION

As discussed above, where there are problems, solutions must be carefully and surgically crafted to ensure that they are not overreaching in effect. Frankly, we believe that many of the "problems" which have been reported are the result of misunderstandings of the SSI program, generally, and of the process for determining childhood disability, specifically. Where instances of abuse or exploitation are suspected, proper avenues for redress exist in the state child protective services systems and within the SSA representative payee system. Other improvements to the SSI program itself are discussed above and The Arc would be pleased to work with the Subcommittee regarding a package of amendments to improve the implementation of and the monitoring and enforcement of the program.

Again, The Arc appreciates the opportunity to comment on the above issues and looks forward to working with the Subcommittee to enact real, targeted improvements to the SSI program. If you have any questions on the above, please contact Marty Ford at The Arc Governmental Affairs Office, (202) 785-3388.

Chairman SHAW. Thank you.

Ms. Higginbotham, I understand you ran into some bad luck in the airport with regard to destruction of a wheelchair. We know that you and your daughter are here at great personal inconvenience, and it makes me very, very pleased that you took the time to come and be with us and bring your daughter with you.

If you would like to proceed, your full statement will be made a part of the record and you may proceed as you see fit.

**STATEMENT OF KAREN HIGGINBOTHAM, OPELOUSAS,  
LOUISIANA**

Ms. HIGGINBOTHAM. Thank you.

Mr. Chairman and Members of the Committee, my name is Karen Higginbotham and I live in Opelousas, Louisiana, with my husband Danny and our children, Alison, who is 6, and Dustin, who is 5. Thank you for allowing me to speak to you today about SSI for children.

Alison, who is here with me today, has physical and mental disabilities caused by a rare seizure disorder called infantile spasms. Although Alison is 6 years old she functions like a child who is only 18 months old. She cannot do any of her personal needs. She cannot feed herself, hold a cup or take a bath. She cannot speak. She is incontinent and wears diapers. She must be supervised and attended to throughout the day. She has no concept of danger. She uses a wheelchair to go to school and to go any distance.

Doctors told us that Alison's prognosis was poor—so poor that they would not speculate about her future, but we were bound to prove them wrong. At the time we had no idea what was ahead for us or for Alison.

Alison has separate sessions for physical, occupational and speech therapy every week. The gasoline costs alone for these trips add up fast. When Alison was past the age when most children were potty trained, we were still buying diapers for her. We took her to a speech therapy program out of town because there was no local program. We had to pay the full \$800 tuition ourselves since Medicaid would not pay for a university program. The extra transportation costs were another \$250.

When Alison no longer fit in a baby crib, we adapted a twin bed for her which cost \$200. We also purchased special switch-operated toys so she could play like other children, and they can cost up to twice as much as traditional toys.

As Alison began to make some progress, we realized we had to make certain home modifications to help her develop even more. Since we were renting, we could not make the home modifications that would help Alison. So we bought a house even though it wiped out our savings and left us nothing for other family emergencies.

To help Alison learn to do things for herself, we installed door levers and modified the bathroom for her. We added a ramp to the house for Alison's wheelchair and rails for the back porch so she could play safely outside. Because Alison spends most of her time on the floor, we put carpet in her bedroom.

The driveway was only dirt so we needed to concrete it for Alison's wheelchair. Although putting gravel on the driveway would have been enough for us and Dustin, it didn't work for

Alison's needs. These improvements cost several thousands of dollars.

Alison must have shoes with good ankle supports. Her shoes cost \$50-\$60 each, not like the \$15 shoes that Dustin gets. Alison requires extra clothing because she is incontinent and I leave extra clothes at school and in the car for her frequent emergencies.

We want to get an adapted tricycle for her. It would cost about \$400 compared to the cost of Dustin's \$20 bike. Medicaid won't cover this because recreation is not considered medically necessary. But we would really like Alison to have a tricycle so she could feel more like other kids—and it would also strengthen her leg muscles.

Mr. Chairman, one of the most difficult expenses for Alison is a funeral plan and a burial plot. Most life insurance companies won't insure a child with disabilities. One company has insured her at a higher rate, but only for \$5,000. Although this will cover a funeral and burial if she dies now, it won't be enough later. We bought what we could because if we die before her, we don't want Dustin to have to pay for his sister's death.

I have described the costs we have for Alison, both on a daily basis and extra things connected with her disability. These are expenses that we don't have for Dustin. None of these expenses are covered by Medicaid.

Every month I send a letter listing monthly income with my husband's and my check stubs to the Social Security Administration. Once a year, Social Security sends us a report to fill out on how Alison's SSI check is spent. I log the expenses for our entire household. House payments, utilities, house insurance, food, maintenance and repair to our home is divided by four to account for Alison's share. Any expenses that are strictly for her are logged as such, as I use this information for Social Security's report.

SSI is a tremendous help for us to provide what Alison needs. In the past year, Alison's monthly SSI check has averaged \$394.47. The check varies from month to month because my husband gets paid every 2 weeks, so some months he gets two paychecks and other months he gets three. Even if Alison got the maximum amount of \$458 every month that would mean she would get \$5,496 a year. If Alison were institutionalized, our State and Federal Government would pay \$60,000 a year for her. What do you think taxpayers want to spend?

Mr. Chairman, if Alison were in an institution, all her needs would be provided at no cost to us, but we want to care for her.

Actually, she would not get everything she needs in an institution. She would not get the love and nurturing of her family. She would not have the opportunity to enjoy a family life like other children do. She would not be able to learn how to live in the community. She would not grow up where all children deserve to—in their own homes with their families.

We believe that families who want to raise their children with disabilities at home should have the right to do so. SSI allows us to make that choice.

If my husband and I died today, Dustin would go to a foster or adopted home. But Alison probably wouldn't be so lucky, and I bet she would end up in an institution. When some people talk about



family values and family unity, it seems like they only mean for "normal children" who don't have special needs.

Alison is the light of our lives. She has come further than doctors ever expected her to. When she was four she learned to crawl, pull to stand, and communicate with gestures. One month shy of her sixth birthday she began to walk unassisted in the house. She still needs her wheelchair when we go out and for any distance. We are elated by her progress and we are proving the doctors wrong.

Her eyes light up when her daddy comes home from work. She shrieks when grandma and grandpa come to visit. She loves to put on my shoes just like most girls. She loves yogurt and going bye-bye. She attends Sunday Mass and goes to religion classes. She fights with Dustin just like any sister would. She laughs, shows you where her hair is and loves to hear music before going to bed. Dustin adores her. If Alison were in an institution, my husband and I would be devastated, and so would Dustin because he would lose his favorite playmate and best friend.

Alison's disabilities are hard on all of us—emotionally, physically and financially. My husband has worked and paid taxes his entire adult life. I have a small part-time job. I miss working full time, but being at home means I can work with Alison on her therapies every day and take her to all the therapy and doctor appointments she needs. We get respite care and personal care assistance for Alison, which frees up some time for me to be with Dustin. He deserves to have a mother too.

Even if I did not have a child with disabilities, I would still want the SSI Program for eligible children with serious disabilities and their families. I think many people who do not have disabilities fail to realize that we are all just temporarily able bodied. Any child could have an accident or get sick and suddenly have a debilitating disability or illness. Disabilities have no prejudice of sex, age, race, social status or political affiliation.

Our family lives modestly and within our means. My husband works hard to support us and to meet our ordinary needs and I try to help. But we need some extra help to take care of Alison at home and we are made to feel guilty about getting it.

Mr. Chairman, in closing, I want to say that Alison is not a burden to us. We love her dearly. We want her to reach her fullest potential in life and to have some level of independence as she grows up. She would have never progressed like this in an institution. The SSI she gets allows us to give her our constant love and attention. We, her family, are the best decisionmakers about her needs.

Thank you.

Chairman SHAW. Thank you for your testimony.

Mr. McCrery will inquire.

Mr. MCCRERY. Thank you, Mr. Chairman. And thank all of you for your testimony today.

Mr. Parker, you have heard comments today about the study that the Social Security Administration did to try to determine what level of fraud and abuse there was in the SSI Program for children. Are you familiar with that study?

Mr. PARKER. Yes, sir, I am.

Mr. MCCRERY. It appears to me that the testimony you have given here today and the news accounts that we have seen on

"Prime Time" and the Baltimore "Sun" don't exactly jibe with the Social Security Administration's assessment. What is your assessment of the abuse of this program?

Mr. PARKER. One thing, after reviewing that study, it did not include the results of children with mental retardation. It did include ADHD, but mental retardation is one of the most error prone, subject to malingering categories we see. Why that was not included in the study, I do not know.

One thing I do not know specifically how these samples were selected for that study, whether it was done based on an established diagnosis to determine if there was actually a mental impairment or whether it was done with an allegation of a mental impairment. It is not unusual for us to see cases with an allegation, but once we develop the evidence, there actually is no mental impairment. So if they established it with an established diagnosis, that is a good study.

The other thing I am not aware of is what percentage of the claims that actually was, to determine if that study was large enough to be statistically valid. I did circulate the results of that study to my staff and I could not find a single disability examiner that thought it was accurate.

Mr. MCCRERY. Thank you.

So your assessment of the level of abuse of this program differs from the statement that the Social Security Administration gave us?

Mr. PARKER. Very significantly.

Mr. MCCRERY. And, Mr. Parker, is it correct that you also have a severely impaired child?

Mr. PARKER. Yes, sir, I do. I have a son with hemophilia, severe hepatitis C, and a shunt that has malfunctioned three times in the last 4 years. My medical bills every year for the last several years have been over \$100,000, and I will reach the cap at three-quarters of a million dollars on my primary insurance within the next few months.

Mr. MCCRERY. So you have some experience dealing with disabled children.

Mr. PARKER. Yes, sir, I do.

Mr. MCCRERY. Thank you.

Mr. Gardner and Ms. Higginbotham, do you agree that there is abuse in this program?

Mr. GARDNER. Oh, I certainly believe that there is probably abuse in this program. I think any time you have any program, you are going to have some abuse.

What I have not seen is any statistical quantification of the abuse. I know in the Chairman's opening remarks, he mentioned 100,000 people. But I have not seen any data about that.

One of the things that has just come out that was very interesting that I was studying last night, on January 18, the Social Security Administration put out a copy of a memorandum to the various Commissioners—I guess the outlying people that are administering the program—on this subject of the abuse and the crazy checks and all that sort of thing.

And I was reading that memorandum, and I noticed that last June, on June 20, a guideline was sent to all the Social Security

offices about reporting any of that type of activity. And between June 20 and December 8, 460-something cases of suspected abuse were sent to Social Security for review, and it said when they reviewed those, that in only 32 of those cases of suspected abuse was Social Security granted.

That letter pointed out that the statistics of the applications is 115,000 per quarter. And if we are looking at roughly two quarters, we are talking about 466 cases being referred to be reviewed again out of, say, 200,000 cases, which is one-quarter of 1 percent.

So while I feel certain there is probably abuse there, these media reports we have, I don't know any families that have a whole bunch of children on SSI. So I certainly don't think that is typical of the program.

So I think there is abuse there, but I don't think it has been quantified. And I think it needs to be quantified. And it can certainly be addressed on how to deal with it in the eligibility determination process, I think, and in reviewing the followup monitoring and review.

Mr. MCCRERY. Thank you for that response. I would like to follow up later and perhaps get your ideas on how we prevent this kind of abuse.

The fact is that there are a great many families with multiple children on SSI that we have been able to locate and the news media has been able to locate. Why Social Security cannot do this, I don't know, but it exists, it is out there, and the job of this Subcommittee is to find a way to stop it.

Chairman SHAW. The time of the gentleman has expired.

Mr. Ford will inquire.

Mr. FORD. Thank you, Mr. Chairman. And let me thank the witnesses, and Alison's mother. We are very delighted to have you here. I am sorry I missed the first part of your statement to the Committee.

With Alison, do you have the Medicaid benefits—I may have missed that part of it—with your daughter? Do you have Medicaid? Does Alison have Medicaid?

Ms. HIGGINBOTHAM. Yes, sir, she does.

Mr. FORD. She has Medicaid?

Ms. HIGGINBOTHAM. Yes, sir.

Mr. FORD. You mentioned in your statement that the cash benefit certainly was a support system for you and your husband in taking care of and raising Alison. What if the entitlement was removed with the Supplemental Security Income, that it was placed into a block grant that we would appropriate funds to the States, and the cash benefit was removed along with the Medicaid benefits, and some of the things you talked about in your opening statement would be provided up to a certain amount annually? Say those items that you would be buying for Alison would be provided by the government, and no cash benefits monthly from the Supplemental Security Income? Would that impact, affect you and your husband in raising Alison?

Ms. HIGGINBOTHAM. First I need to ask you a question. I am not exactly sure what a block grant is and what it would do.

Mr. FORD. A block grant would just shift the responsibility to the State so that it would no longer be an entitlement program re-

ceived under the Social Security Administration, which you receive the Supplemental Security Income monthly check of whatever the monthly amount would be.

Ms. HIGGINBOTHAM. Would this block grant be only for medical expenses?

Mr. FORD. It probably would be only for medical expenses, and some of the items that you have talked about earlier that Alison would need during the course of a year, those special things that you need to balance in order to give her the comfort she might need.

Ms. HIGGINBOTHAM. I see that there could be a lot of red tape involved and it could delay her getting some of these items she needs. As it is with Medicaid, you have to wait a long time, you have to wait for approval, and you also have to wait for a provider to order it. Sometimes if you need something right now, it is going to take—you may not get it for 3 to 6 months.

So I see it as—if that would happen, it would be a great delay of equipment and/or services. And since a lot of the things that we provide for her, if it is considered medically necessary by the normal standards, I could see that it could be a lot of problems.

Mr. FORD. How long did it take you once you applied to the Social Security Administration's office, from the date of the application with Social Security, how long did it take you to go through the process for the disability benefits for Alison?

Ms. HIGGINBOTHAM. I applied several times. I applied when Alison was just an infant and we were deemed ineligible because of income standards. I applied again when my husband had lost his job and we were still denied because of income standards. And I applied again when I had lost a job, and that is when we were able to get it.

The last time we applied was in February 1992, and she was—she started receiving benefits in April of that year. Her medical criteria was already established. So it didn't take very long.

Mr. FORD. And you were denied once, twice, three times? Going through the regular process, the original application and to the Disability Determination Section, and all of the medical records I guess being supported in the application, I guess the reconsideration process, the disability determination process.

Do you remember exactly how many times you were denied? I am trying to see—

Ms. HIGGINBOTHAM. I believe it was twice. I believe it was on or about October 1988, the year she was born, and again around April 1989, and again when I reapplied in February 1992.

She was always eligible medically.

Mr. FORD. She was always eligible medically.

Ms. HIGGINBOTHAM. Right. Her problems started at birth.

Mr. FORD. You were means tested, you and your husband?

Ms. HIGGINBOTHAM. Yes, sir.

Mr. FORD. Mr. Parker, have you witnessed in your office many of these disability claims being denied, or do you know of any application that might have come to your office that should have been denied, that SSA or the Disability Determination Section approved these claims, and you felt very strongly that these individuals would not, should not have been qualified for SSI benefits?

Mr. PARKER. We have seen an enormous number of attempts to defraud the system, and all of the cases we approved, we met Social Security Administration guidelines.

There is a good bit of concern that there is not comparable severity on requirements for an older American with a physical impairment.

Mr. FORD. You think the claims you approved met the requirements under the statute?

Mr. PARKER. We did everything we could to screen those cases using their guidelines.

Mr. FORD. I see my time has expired. But the abuse part of the SSI Program, you have not really seen a lot of that come through your office, are you saying?

Mr. PARKER. Oh, yes, we have seen an enormous amount.

Mr. FORD. But those applications in many cases and instances have been rejected; is that correct?

Mr. PARKER. Yes, sir.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Collins will inquire.

Mr. COLLINS. Thank you, Mr. Chairman.

Ms. Higginbotham, to help clear up a little bit about what is an entitlement versus a block grant, an entitlement is when you fit a certain criteria then you are entitled to funds through that program. A block grant would still be based on eligibility.

If you are eligible for the program based on a situation such as Alison's, then you would still be eligible for benefits under that program. The difference in entitlements is that it is funded by the Federal Government based on dollars needed. The block grant too would be based on dollars needed, but it would be appropriated year after year, not just an automatic funding, if that helps in any sort of way.

This, as one of my colleagues mentioned, is a very politically sensitive area. But it is also a very sensitive area, especially with Members who have very, very deep compassion for situations such as mental retardation through disability. My wife and I have been very fortunate with our children, but I have brothers who have not been as blessed as I have, and due to some of the things that have occurred in our family over the last 40 years, Mr. Gardner, my mother was the founder of the Association for Retarded Citizens in Butts County, Georgia, many, many years ago.

But, you know, in this body, we must look at the program. We must look at SSI from the standpoint that we do have a lot of people in this country who are in need, true need. But we do have a lot of people who are abusing the system in some way. And that is where we need to determine exactly how or what the best avenue is for determining eligibility.

Mental retardation to me stands out because it is a chronic disability. Mental retardation just doesn't happen 1 day and is gone the next. You can go back and check the history and you can check it again next year or the year after. The mental retardation will still be there.

Mr. Parker, you deal with the subject on a constant basis, at the office and at home. What would be your recommendations as to how we address eligibility?

Mr. PARKER. One of the keys I see is to retain the Medicaid eligibility for children with severe disabilities, because one of my major concerns is that the person in my situation that has \$100,000 in medical bills but, you know, makes \$10 too much to qualify for SSI, has absolutely nothing.

So they do not have the Medicaid eligibility. I think the idea of a block grant could be productive because one of the things, when we see children with ADHD, I think the educational community would be more beneficial in working with those children than giving that cash to those parents.

Mr. COLLINS. In the area of Medicaid, when a child reaches 18 and becomes an adult, then they are eligible as an adult; is that not true?

Mr. PARKER. That is correct.

Mr. COLLINS. What is the difference between the day before they turned 18 and the day they turn 18? The costs are the same. The problems are the same. Especially in the area of mental retardation.

And we appreciate each of you being here, and Alison is a pretty little girl.

Ms. HIGGINBOTHAM. Thank you.

Mr. COLLINS. Thanks for coming.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Yes, Mr. Chairman, and Mr. Chairman, I would like to thank you for having this hearing, and Mr. McCrery for the work he has done. And I think this hearing is highlighting the fact that we have a very, very difficult charge in front of us.

Thank you, Ms. Higginbotham, for coming with Alison, for your suggestion to us that we absolutely should do something to help what you are doing, trying to keep your child at home and making ends meet. You are doing everything possible to have Alison's life have quality to it.

Yet, on the other hand, we saw the television presentation of the people who abuse the system. There is abuse in the system. So you highlight where we have to help people, and the other witnesses that have come here to support you and to back you up highlight that.

So I think this whole hearing, Mr. Chairman, brings out that we have got a very, very important task of separating the truly needy for SSI and those who abuse the system. I think this is what this process is all about. And we have to be very, very careful in the process of getting the abusers, we don't hurt those who rightfully qualify for SSI.

So I thank you for the hearing and I thank you for coming.

Mr. Parker, I have to say to you, you are trying to do your best, I know that, but the people in the agency are going to have to help us do better so we can separate the wheat from the chaff so that people don't get hurt. I can't tell you how to do your job. Something has gone askew, and this is something that I am scared to death we are going to hurt those who need it like Alison.

Ms. HIGGINBOTHAM. May I ask a question? From what I understand from your explanation of the block grants, and since children who get SSI also get Medicaid, in my understanding of it, it would serve the same purpose that Medicaid does, which is already in

place. To my understanding, and I may be wrong, you would be setting up something that is already in place.

Mrs. KENNELLY. Yes, but there is a concern here, and some of us are concerned that if you do a block grant, sending this back to the State, in the process you cut back on the amount of moneys being spent to needy disabled persons. The State has less. You get less. Alison gets less.

What we don't want to do is say, OK, this is such a sticky, difficult problem, we are going to send it back to the States. In the process people like you get hurt.

So it is a technical situation, something we are going to have to wrestle with.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mrs. Kennelly.

Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

I welcome the panelists and I appreciate their being here to address an issue which will require some of the wisdom of Solomon to sort through both the need to provide assistance for people with disabilities like Alison and also to try to address the problem of fraud.

And I think we all recognize this is an enormous responsibility, and this may be the most difficult thing we do in this Subcommittee this year.

Mr. Parker, it is my understanding that Social Security sent all disability examiners a special notice to follow Social Security procedures for reporting suspected cases of fraud, and that is especially in cases in which a child tells a teacher or some other professional that he was instructed by his parents to act up in class. This is one of those areas where supposedly there has been a certain amount of fraud.

Do you believe that this effort has been successful in limiting the abuse of the SSI Children's Program?

Mr. PARKER. No, sir. We have had some of those in the regional Social Security Office in Dallas. But I am not sure that does anything to deter the children from happening.

The major concern that I have is for the educational community, that what the parents are doing to these children in order to attempt to obtain benefits, they are destroying, you know, the will of the child to get a good education by encouraging them to fail. These are kids that could be doing well.

They could become teachers themselves or doctors or lawyers. But they are not getting that encouragement at home. They are going the wrong way.

One of the things I think we need to do is have the educational community involved in establishing the process.

Mr. ENGLISH. Thank you. My wife is a member of the educational community in our area, and certainly there has been a lot of anecdotal concerns about precisely these kinds of situations.

Mr. Parker, also, many of the program's advocates refer to cited cases of abuse as being anecdotal. And I wanted to get your reaction to that. And I was wondering, do you consider the number of cases of suspected fraud that you have seen in your office to be unusual?

Mr. PARKER. No, sir, I don't. I don't think it is unusual, because I am a member of the legislative committee that serves the South-west region for the National Association of Disability Examiners, and we have discussed this with a number of members across the country, and I think it is quite prevalent throughout the country.

Mr. ENGLISH. Thank you.

Thank you again, for all of the members of the panel, for giving your time to help bring us up to speed on this very difficult issue.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin will inquire.

Mr. LEVIN. Thank you very much, and again, welcome.

Mr. Gardner, you expressed the need so vividly, as well as Ms. Higginbotham. So let me, if I can, in a nonadversarial way, because I don't think this is a matter of partisanship here in terms of how we root out the problem.

So let me discuss with you, Mr. Parker, I am interested in hearing your ideas of how we root out the problem without uprooting those in need.

You are the area manager. You are in charge of the determination process for the Shreveport area, right?

Mr. PARKER. Yes.

Mr. LEVIN. Are people now receiving benefits through your office who should not be?

Mr. PARKER. That is a pretty broad interpretation there. If you are saying are people—we do everything possible to screen those cases, following administration guidelines to make sure that they are not. Based on the evidence that we are able to obtain, we feel that we do a good job in screening the cases.

Mr. LEVIN. Do you think in terms of preventing fraud and abuse, that you are doing an effective job within your area?

Mr. PARKER. We are doing everything we can with the resources we have.

Mr. LEVIN. Well, how effective a job do you think you are doing?

Mr. PARKER. That is really pretty difficult to say. I think it is fairly effective. One of the concerns, I reiterate, is things that are happening to children as a result of trying to get benefits, is one of the major concerns that I had expressed to Mr. McCrery.

Mr. LEVIN. So your concern has been more what is happening to kids who try to apply, not the fraud that your office is unable to detect?

Mr. PARKER. I think that is correct.

Mr. LEVIN. So let me then ask you about the IFA, and Mr. McCrery's approach, which is one way to do it, and is offered in good faith in response to a problem.

He is suggesting that that category essentially be eliminated, that no one would be eligible to receive benefits through an individualized functional assessment. I think he said, Mr. McCrery, that that would eliminate about 30 percent of those now receiving SSI.

Mr. MCCRERY. I estimated 25 percent.

Mr. LEVIN. Twenty-five percent. And of that, I think nationally 40 percent or so are listed or considered mentally handicapped.

The experience within your office, would you favor eliminating receipt of benefits through IFAs?



Mr. PARKER. I think it would bring the criteria more in line with the adult criteria. By doing that, we would—you would eliminate children with less severe medical impairments than those that never equal the severity of the medical listings.

Mr. LEVIN. So you would favor doing that?

Mr. PARKER. Yes, sir.

Mr. LEVIN. You don't think that any of the children today receiving benefits through IFA should be receiving them?

Mr. PARKER. Well, I think, you know, part of this is a judgment call with the intent of the program, because in the adult criteria, we are trying to, you know, identify people that would not be able to work because of the reason of a physical or mental impairment. With children, it is more by whether they are able to perform age-related functions, which is not necessarily related to the ability to work.

Mr. LEVIN. Just—my time is up—so as I understand it, you don't think that any of the children who are now receiving benefits under individualized functional assessments should be receiving those benefits?

Mr. PARKER. Well, I am saying it depends on the intent of, you know, what your intent with this program is.

Mr. LEVIN. Well, in your judgment, is it your own personal, as well as your experience administering this program, you see the documents, you may even see some of the children, you think they should be eliminated from assistance or not?

Mr. PARKER. I am saying that I believe that those children would be the children with less severe impairments than those that met or equaled the listings.

Mr. LEVIN. But you are not sure whether or not they should be receiving benefits, whether they are in need or not?

Mr. PARKER. Well, I am saying we realize those children have some medical impairments but they are not as severe as those that meet or equal the criteria of the medical listings.

Mr. LEVIN. Thank you.

Chairman SHAW. Thank you.

Mr. ENSIGN will inquire.

Mr. ENSIGN. Thank you, Mr. Chairman.

Ms. Higginbotham, I appreciate your moving testimony. It was one of the most moving testimonies I have heard in this last 4 weeks that I have been here.

I had some experience with a place called the Variety School for the Handicapped in Las Vegas. One of my campaign workers, her son attends there, and the stories that I heard from some of the parents there and in going and visiting, had to deal with the American Disabilities Act and what it was doing to force certain local Federal programs and Federal criteria on local programs. And the parents were crying out that they need help from the Federal Government.

But at the same time, I experienced that a lot of them were very resentful. They had cases like yours, where sometimes the funding was not quite adequate, when they saw other people in the system that were abusing it, they thought that money could be going to those who truly were in need. And I wanted to get your feedback, if you have had experience with other people that have been abus-

ing the system or other people that you know that are on SSI that have had experience in this, and how you feel about it?

Ms. HIGGINBOTHAM. I have gotten to know many people in my area, and I have gotten to know some people through correspondence throughout the United States. The people that I have gotten to know throughout the United States, naturally I don't know them personally, but in my area, we have started support groups and done various things.

The people that I know, personally, I don't know them to be abusing it. Most of the people that I know have children with severe disabilities. And they may have some that have physical disabilities and not mental or vice versa. The people that I know, I don't know of anyone that is.

Mr. ENSIGN. So you haven't observed any of the abuses like I saw on the television.

Ms. HIGGINBOTHAM. No, sir.

Mr. ENSIGN. I think it is a legitimate point. I watch things like "Prime Time" and some of the shows on television. And sometimes they can pick out one or two cases across the country in programs that are good programs, and they may show an abuse, when the whole rest of the program is actually a pretty good program. We do have to look at programs like that with a very cautious eye.

But just personal anecdotal stories that I have been told, as well as what Mr. Parker and several of the other members of the panel have been told, there does seem to be quite a bit of abuse out there. Not in cases like yours. But it is the people who don't deserve to be on the program. And what we have to be careful of when we are dealing with and being stewards of the Federal dollars, we have to make sure that the money is getting to the people who truly deserve it.

And I thought the comment about having Solomon's wisdom was a very appropriate comment, because this is such a difficult matter. How do we not take money away from families that are deserving, such as you, but take it away from those that are abusing the system so that we have more money for new families or the ability to increase aid for families like you. And I think it points out how difficult of a situation we are facing up here.

Thank you, Mr. Chairman.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

I would like to continue Mr. Ensign's questioning and the questioning of a couple of the other folks up here on the abuse issue.

With Mr. Gardner and Mr. Parker, I am wondering if you have seen rampant abuse. If you have examples in your mind, firsthand, and if you do, what we can be doing to address that.

Mr. GARDNER. I have not had one of the cases like the Baltimore "Sun" or the mediapiece that you saw on "Prime Time." I have not seen that kind of case in my area, except what you have seen in the newspaper.

The Caddo Bossier Association sent out surveys to a number of families and got about 70 or 80 of them back, survey being what they spent the money on. And we found that they were spent on a variety of things which were not just medical needs, which is appropriate.

There was a whole list of generalized categories and the medically oriented categories, and when we cataloged it, we found that the top items they were spending it on was their rent or mortgage, food, utilities, clothing and transportation, and diapers ran a close sixth, because disposable diapers are a very expensive item when you buy them in bulk. And that is just surveys that were done in the past couple of weeks.

So I don't doubt that the abuse is out there. And I think that it will always be out there. But I, really in the depth of my soul, do not believe that it is to the extent that these anecdotal stories say it is.

I have concerns any time you decide that you are just going to take, like the individualized functional assessment, if you are just going to take that out of the program, any time you do an all-or-nothing slice with people with disabilities, a big bunch of people sitting on the border fall over the cliff and get hurt and disappear. And I think you can't make a total objective—all the data in the field, the research going on right down the street at NIH, says that you cannot make a totally objective determination to disability. That functional assessment was developed by experts after the *Zebley* decision. If you do away with that, that, in effect, says if someone takes an IQ test and the cutoff is 70 and you make a 71, you are out. Now that is supposedly the cutoff for mild to borderline mental retardation. If you cut that out, those people disappear over the cliff.

I know that when you put the word "mild" mental retardation and you say that to someone who is not knowledgeable in the field, that says to them they don't have much of a problem. The label "mental retardation," even if it is mild, says that if we do a real good job, we might get that person living independently with a little supervision and into a minimum wage job. That I call a severe disability, if that is as far as we are going to get that person in life, even though we have labeled him mild mental retardation.

So I would be reluctant—not that all of this can't be worked on to build in protections, but just to say we are going to take one piece that is causing the problem and throw it out the window, people are going to get hurt when you do that. We are going to have to be very careful in approaching that issue.

Ms. DUNN. I agree with you. Certainly, we are looking for a very delicate balance here and that is—

Mr. GARDNER. Could I respond to block grants?

Ms. DUNN. Hold it, because I would like to get Mr. Parker's response to my first question and then you are welcome to respond.

Mr. PARKER. I am sorry, I didn't hear you.

Ms. DUNN. On the question of abuse, whether you have seen it firsthand, and how we can do a better job of monitoring it so that we can get the money to the people that really need it?

Mr. PARKER. I think it is a widespread problem. The only means I see to eliminate it is to actually change the criteria that does not reward the parent for encouraging their children to do poorly in school. I think there needs to be a penalty some place for those who do, because in this system where you attempt to profit from the system, there is no penalty. If you attempt to rob a bank and are

caught in the process, there is a penalty. If you attempt to fraudulently obtain benefits, there is no penalty whatsoever.

The National Association of Disability Examiners has recommended eliminating unrestricted cash payments. I don't think they are making that recommendation lightly. That was only done after quite a bit of discussion across the country.

Ms. DUNN. Thank you.

Mr. Gardner.

Mr. GARDNER. Of course, I am absolutely opposed to the elimination of cash payments totally. I think you will produce homelessness on the streets, and you will push children through institutions. I have lived with those decisions, with crisis in my life, over the past 21 years. I have lived with the temptation to institutionalize a child and get total care. Total care.

The ARC for a decade tried to get Congress to revise the bias toward institutional care through Senator Chafee's legislation. We came up here every year and begged, and begged and begged to take that \$77,000 a year you are spending and reallocate it back to the community and serve more people.

Sure, complex and severe people were going to require more. But when you start talking block grant, that tells us what happened in the early eighties. The disability community is terrified of block grant.

It means drastically reduced money, drastically reduced programs, and long waiting lists and mismanagement by States. That is the message we get. That happened to respite in the eighties in Louisiana.

The only way respite got a reprieve, and that is the number one program in America that helps keep kids out of institutions is respite for families from that 24-hour-a-day situation. And when we got to where people with severe disabilities subject to institutionalization could then apply under the waiver program to get these additional services, respite was in there and it loosened it up.

Now, in Louisiana there is a 2-year waiting list, if you put your child on the list today, to get waived services. And even more ridiculous, they have an emergency list, like if a parent would die that is taking care of a child, they have a waiting list for the emergency list in Louisiana. Have you ever heard of a waiting list for an emergency placement?

So when you say block grant, you mean less money going to a State, capped programs, and a history of mismanagement by States.

Chairman SHAW. Mr. Rangel will inquire.

Mr. RANGEL. Mr. Parker, I feel embarrassed that people who God created in all their diversity have to come before the Congress to justify the little help we are giving. And the reason we are doing it is because people like Sam Donaldson can find wrongdoers and then play the exposé over, and over, and over again about these abusers. Then the majority who receive benefits are good people who have to come and say, not me.

Mr. Donaldson did the same thing to Members of this Ways and Means Committee on one Easter Sunday morning after they worked so hard. They went to the beach, and Sam Donaldson found a video, and all over the country Congressmen and Ways and

Means Members appeared as though they were using taxpayer money, and people got defeated.

I am going to yield to Harold Ford, because I want to take advantage of his knowledge of this subject so that we can cut out the cancerous abusers of this program and allow the recipients that deserve it to receive it with dignity.

Mr. Ford.

Mr. FORD. Thank you, Mr. Rangel, and Mr. Chairman, I am going to be very brief, but just a few questions to Mr. Parker.

Naturally, we want to try to protect all of those disabled children who have severe disabilities. I mean, it is clear that all of us on this Committee want to make sure that protection is in place. But we hear so many of those stories that Mr. Rangel has talked about and even with the television, like the "Prime Time" special that we watched before this Committee today. We would like to rid this program of those who are in fact abusing the program.

But we surely don't want to impose a hardship upon those who are not in fact abusing and are in need of the Supplemental Security Income Program. I want to think that all of us as Democrats and Republicans alike would want to make sure that happens.

And in trying to get to the bottom of some of the problems that we see in the program, and we go back not to this administration, but even to the Reagan and Bush administrations, to see over the years an increase in the number of SSI claims. And, it goes right back to the fact whether or not the Social Security Administration, with the administrative caseloads—and in your office, you have increased your caseload in large numbers and you have brought on new employees to respond to the caseloads. You indicated earlier that you have not really seen any cases come through where the recipient has been approved to receive SSI benefits that you felt or thought that there was some abuse within the program itself.

Are there certain areas in this country where we can find more abuse than we can see maybe in the Louisiana area, when we see stories like we have seen today with Sam Donaldson and Chris Wallace?

Mr. PARKER. Other than the Louisiana area?

Mr. FORD. Yes.

Mr. PARKER. I tell you what, you may want to talk to Gordon Middleton who is a professional relations officer in the Georgia DDS. I understand there is a large GAO investigation going on there—Dr. David Morton III, formerly the chief medical consultant on the Arkansas DDA, who will be sending a substantial amount of evidence to the GAO on problems that they have had in Arkansas.

And within—

Mr. FORD. Are these people affiliated with the SSA office—agency?

Mr. PARKER. Dr. David Morton was formerly, he is no longer the chief medical consultant of the Arkansas DDS, the Disability Determination Section, and Gordon Middleton is with the DDS in the State of Georgia; Carol Moore, with the Tennessee DDS who is the legislative chairman for NADE.

Mr. FORD. Are you familiar with the SSA's officer, Dr. Thompson who reviewed 600 of these disability cases and only found a small

proportion of those applications in their investigation that might have been fraud or abuse in these applications?

Mr. PARKER. Yes, sir, I am familiar with that.

Mr. FORD. Can you tell us a little bit about that? Did you conduct any of those reviews in your area in the Department of SSA?

Mr. PARKER. I do know how the sample was collected for that. I do not know whether that was done with those with the allegation of a mental impairment or those with the established diagnosis of a mental impairment.

Mr. FORD. Do you find any of these applications that are coming in that these children are being coached outside of members of their families, maybe through school districts, or through kids being placed in certain programs within the school that would automatically qualify these children that we are talking about, not the retardation kids, but kids who sought these SSI benefits after the Supreme Court rules in 1989?

Mr. PARKER. I am sorry, did you say being coached outside the family?

Mr. FORD. Outside the family members, yes.

Mr. PARKER. We have not.

Mr. FORD. You have not found that to be true in your office?

Mr. PARKER. No, sir.

Chairman SHAW. Mr. Camp.

Mr. CAMP. I have no questions, Mr. Chairman.

I will yield my time to Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Camp.

I want to make it clear from my standpoint as one of the two people that have spearheaded the effort to do something about the abuse in this program, that it is not my intention to deprive families with truly severely disabled children benefits that they are currently receiving under the SSI Program.

Mr. Parker and his group who have seen these applications and heard of the abuse have recommended that we do away with cash payments. That we continue Medicaid. That we continue other Federal programs for disabled children, such as the Children with Special Health Care Needs Program, the Administration on Developmental Disabilities Programs, Individuals with Disabilities Education Act, of course, the various programs under Medicaid. The Early Childhood Intervention Program, which is also under the IDEA.

There are a number of Federal programs in existence to assist families with seriously disabled children. We are not going to harm those. We are going to leave those in place.

In addition, we are going to continue to allow children to qualify under SSI, which gives them automatic qualification for Medicaid. My view is that we ought to continue cash payments to families of children who are so severely disabled that they require constant attention, that might be institutionalized were it not for the cash assistance. I think that makes sense.

So I am not here to take away anything that Alison is getting. I want to make sure she continues to get what she is getting. But at the same time, as a Member of Congress, as a representative of all the people in my district and a representative of all the people in the country, I have got to weigh the needs of everybody in this

country against the needs of a special few, deserving few, in many cases, in most cases, but still we must balance that.

We, all of us, I suspect, would like to give everything to everybody, anybody who needed anything. And that has been tried in some other economic systems. It turned out it didn't work too well.

So, we have a problem here. We have got to try to take care, to assist, I should say, those who truly deserve help. But at the same time, we must be responsible in creating and running those programs.

And I understand, Mr. Gardner, that you represent The ARC, and I understand they are a special interest group and they are bound and determined to get everything they can get for the people that they serve.

I don't have any problem with that. We are bombarded with special interests in this Congress every day and we have to try to take the information you give us, plug it in, assimilate it all and come out with a balanced approach and a balanced program.

So this is a terribly difficult problem. I appreciate all of you coming and sharing with us your views.

Mr. Parker, I appreciate your honesty in coming forward and pointing out the abuses.

I just want to point out a couple of things about the IFA.

Mr. Gardner, as you probably know, the IFA was originally designed not for children. It was for adults. And the *Zebley* decision was all about the black-letter law, and how, since the SSI Program for Children did not have a functional assessment that we did have for adults to determine if they were able to work, and only if they were not able to work, then the SSI, which was designed to replace wages, replace income that people couldn't get, only because of that and the black-letter law, which said that you had to treat children the same as adults, basically, did IFA come into existence for children. But it doesn't really have the same applicability in children that it does to adults.

And in my view, the black-letter law should never have been written the way it was, or the *Zebley* decision would never have existed.

I disagree with you. I think we must, as a start, do away with the IFA. We must reexamine the mental impairments listing, and perhaps make some adjustments to account for those cases that do deserve help and are getting it now under the IFA. But to continue the current system, I think would be irresponsible on our part. Even the most compassionate, I think, have to say that we have got to make some adjustments so that we can balance the interests of everybody in this country.

Chairman SHAW. Mr. Kleczka.

Mr. KLECZKA. Thank you, Mr. Chairman.

Let me ask Mr. Parker a couple of questions.

I think it has been inferred by some of the questions that if you folks back in the communities would tighten up how you adjudicate these cases, we would have less fraud and abuse contained therein.

Is it not so, Mr. Parker, that the current law and the current regulation are written such that you in your approval don't have much latitude?

Mr. PARKER. We follow, you know, letter and verse, the Social Security Administration guidelines. We have no flexibility on the decisional criteria in the DDSs.

Mr. KLECZKA. And if you interpret the laws a little too tightly, is it not true, that currently, administrative law judges reverse the determinations?

Mr. PARKER. I tell you what, the administrative law judges actually are not bound by all of the same criteria.

Mr. KLECZKA. So they use a different set of standards versus yours?

Mr. PARKER. That is right.

Mr. KLECZKA. Are they more liberal or tighter restrictions?

Mr. PARKER. More liberal.

Mr. KLECZKA. In your capacity working for SSA, if Alison came into you and her parents came into you seeking eligibility, what would your decision be, knowing what we know about Alison today?

Mr. PARKER. There would absolutely be an allowance, as I believe she indicated, she was medically eligible from the first.

Mr. KLECZKA. That is the point I wanted to make, Mr. Chairman. Although we have seen descriptions of abuse in the video today and there has been some criticism of these being real abstract cases, that is what the American public thinks is happening in the program. I don't necessarily believe that to be the case.

Every colleague of mine I speak to from around this country has come forward with identical cases. I in my office have dozens and dozens of teachers and psychologists coming forward. So if I were to view this without any constituent input, I would say, by golly, how do they find that stuff? They must have somebody out searching for that abuse, and they found that needle in the haystack, but that is not the case.

The reverse of that is our hearing today, where Alison comes with her mother and then the public sees a truly deserving case. In the context of Congress talking about doing something to this program, they should know full well that it is not the Alisons we are talking about.

But the problem with a hearing like this, is we can't get the abusers to come. They are hard to identify. And if we knew their names, they would say no to the Chairman anyway.

But in the Chairman's comments, and Mr. McCrery's comments and my comments, I think every comment of the Committee, we are not trying to hurt the Alisons. We are going to continue helping that type of a child. Because I think the most conservative person in this country would say, yes, I will pay an extra dollar in taxes to help that person out.

But I just hope we don't leave the Committee hearing today thinking Congress is looking at doing something dastardly to that type of an individual. That is not the case.

Even in Mr. McCrery's proposal, Karen, it would continue your cash payments like it is today, so there is no disruption whatsoever.

My program is somewhat different. If I understand your situation, when Alison was born, you applied and immediately received Medicaid; is that not correct?



Ms. HIGGINBOTHAM. No, sir.

Mr. KLECZKA. At what point did you receive Medicaid, the health coverage only?

Ms. HIGGINBOTHAM. We received Medicaid for Alison in November 1991. And that was through Louisiana's community home-based waiver services. At the time, I was working and the waiver services do not look at the parent's income or resource, only the child. I lost my job a few months later, and I applied for SSI for the third time. And because I was not working, since that—

Mr. KLECZKA. The two previous times you applied, your income and your husband's income was in excess of the level set by law, so you didn't qualify, but the third time, you did. Your income was such that you qualified for the program; is that correct?

Ms. HIGGINBOTHAM. Correct. The first time that we applied, I was working, my husband was working. The second time we applied, my husband had lost his job. He was drawing \$67 a week unemployment.

I was pregnant with my youngest child. And I had to stop working—I had to stop working full time, I worked half time. And I was drawing, roughly, \$100 a week. And we still could not get SSI for her because we had a little bit of money in the savings.

The first time our income was too high and our savings. The second time—we applied four times. I am sorry, the first time our income was too high, the second time my husband had lost his job. My husband was drawing \$67 a week. I was working full time.

I had some complications with my pregnancy and had to work half time and that is when he was still drawing \$67 a week. I was drawing, roughly, \$100 a week. But we had \$5,000 in savings. And when Alison was born, we had a lot more than that. But it took it all. And we were deemed ineligible because of the savings, not because of the income.

Mr. KLECZKA. OK. And you get reduced benefits if your income rises. Programs like this are based on income. But in closing, what I would like to indicate is that the program changes we are talking about today, and hopefully will come to some agreement on, are not designed to hurt whatsoever your daughter or children in a similar situation.

Thank you.

Chairman SHAW. Thank you.

Karen, you obviously are a special parent, you and your husband both are special parents. You have been given a special child you love very much and you want to keep in your home.

I can tell you that the Federal Government is in no way going to deprive you of that wonderful obligation that you have undertaken. We will not forget you. We will not forget Alison.

Ms. HIGGINBOTHAM. It would be hard to forget her.

Chairman SHAW. For this Committee, for the Congress to turn its head on some of the irresponsible gaming of the system that is going on, and we agree, there is consensus on both sides of the aisle on this, for us to turn our head the other way and allow that to continue, would destroy the program.

But I don't want to leave you here thinking that or worrying that we are going to forget you. We will not forget you and we will not forget all of the Alisons of the world.

Thank you very much. You have given very powerful testimony, the three of you on this panel. We very much appreciate your coming and being with us today.

Thank you very much.

Now, we will go to the second panel, which will be the third panel, which includes Carolyn Weaver, who is the resident scholar and director of Social Security and Pension Studies of the American Enterprise Institute in Washington, DC. She will be joined by Jane Ross of the General Accounting Office.

They will provide us with an overview of the current SSI Program, including the issues we will discuss in detail with the panels that are yet to follow.

We will wait just one moment for the room to clear.

Dr. Weaver and Ms. Ross, we have your written testimony, which will be made part of the record. Please feel free to proceed as you wish.

**STATEMENT OF CAROLYN L. WEAVER, PH.D., RESIDENT SCHOLAR AND DIRECTOR, SOCIAL SECURITY AND PENSION STUDIES, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC**

Ms. WEAVER. Thank you, Mr. Chairman.

I am not quite as perky as usual. We have been here for a couple of hours now. I will do my best to give you a quick summary of the testimony, assuming that you will be able to read those pieces that are of particular interest.

My name is Carolyn Weaver, and I am a resident scholar and director of Social Security and Pension Studies at the American Enterprise Institute. I am also a member of the new Social Security Advisory Board.

Chairman SHAW. Could you suspend for just 1 moment?

I would ask that those having conversations, if they could go outside, then that would make it easier for us to proceed. Just suspend for 1 moment. I want to make sure that we have your testimony.

Dr. Weaver, please proceed.

Ms. WEAVER. I just wanted to relate that I am a member of the new Social Security Advisory Board, but I am here today to speak as a public policy researcher at AEI.

I would like to begin by commending you all on holding this hearing and on paying attention to a very important public program. SSI has gone without serious congressional scrutiny during much of its 23-year history. I think it is fair to say, were it not for your activities, this single largest cash welfare program in the Federal budget would still not be addressed in the various welfare reform policies now being discussed.

The absence of serious congressional consideration is obvious from some of the overall patterns of growth and the changes that have taken place in the program, especially in the last decade. SSI is growing very rapidly, and the population being served by the program has changed a great deal.

Having said that, I wish to reiterate what each of you has said, which is that SSI has been a vital lifeline for some of the Nation's most needy people. That is, poor disabled people and poor elderly

people. The trick here is to eliminate inappropriate benefits while finding a better way to deliver the benefits to those people who are truly needy.

With that said, in order to keep my testimony brief, I would ask that you just flip over to the charts that are at the end of the paper, and I will move quickly through them. I will then conclude with some of my thoughts on SSI benefits for children with disabilities.

Referring to figure 2 first, you can see that there has been very rapid growth of the SSI benefit rolls in the last decade. SSI now costs more than AFDC, the heart of the welfare reform debate, and it is growing much more rapidly. It is the disability components of SSI that is growing most rapidly.

As figure 2 shows, the number of disabled people on the rolls doubled between 1974 and 1990, and has gone up by 1 million in the last 3 years alone. The program served mainly elderly people when it was begun, and this remains the popular view of the program, that it is a safety net mainly for elderly people. Over half of the people initially on SSI were elderly people. Typically they were people without other income or who had accumulated pensions.

Today, the overwhelming majority of people on SSI are people with disabilities. About 5 million people on the rolls, or three-quarters of the total, are people with disabilities.

You will notice the relative decline in the number of aged people on SSI, and then the recent stability. Part of what is going on can be seen by flipping back to figure 1. I am sure you have seen some of this data in earlier testimony or in work that the Subcommittee has been doing. It shows the rapid growth of aliens on the SSI rolls, particularly among the elderly.

Unlike in other public assistance programs, we have seen continued progress with the aged population on SSI. The number of citizens on SSI has actually fallen by 400,000 since 1982. That has not been reflected in the overall numbers because of the rapid growth in aliens receiving SSI.

You can see that between 1982 and 1993, the proportion of aged aliens receiving SSI rose from 5.9 to 28 percent. I would make just two observations about this: First, the rapid increase in aliens has completely offset the gains in the citizen population of aged SSI recipients, that is, the decline in numbers that historically accomplished the expansion of Social Security. Second, aliens receive much higher benefits on average than citizens do.

Could you explain the lights to me?

Mr. CAMP. You can continue until the red light comes on.

Ms. WEAVER. And when will that be?

Mr. CAMP. Not long.

Ms. WEAVER. Let me proceed more quickly through these charts.

In chart 3, you can see that the primary diagnosis group among disabled adults, as well as among children, is mental disorders, which includes schizophrenia, depression, and anxiety. This is the wave of the future in the SSI Disability Program.

This is a new development. One concern here is that young people with mental disabilities, the fastest growing subgroup, have very poor prospects of returning to work.

Figure 4 shows the number of kids on SSI and the rapid growth we have been talking about. And you know about the rapid growth of addicts and alcoholics.

If I could make two policy observations. First, I think that the drug addicts and alcoholics provision enacted last year is seriously flawed. Not only will it be a bureaucratic nightmare for SSA, but also I can't imagine that the benefits in terms of rehabilitations or net savings to society will be anything but uncertain at best.

It is a highly complex program, with very uncertain benefits. In addition, addicts and alcoholics will continue to be granted benefits under the program. I commend the Subcommittee for rethinking this provision.

As far as kids on disability, this is a provision that must be reexamined. A poor family with a child on SSI receives possibly double or triple what a poor family on AFDC receives. I think you have to hone in on the issue of what are the extra expenses of raising a particular disabled child and are they met or unmet by other government sources?

Therefore, I find ideas like moving toward a voucher system or toward using Medicaid to cover those added unmet expenses quite attractive. Neither one of these proposals would preclude broader more sweeping changes like block granting some or all of the program. I think it is important to keep in mind, as you were discussing earlier, that in trimming benefits for kids with disabilities, Medicaid is available to any child who is qualified for AFDC. And there are other Federal programs as well that should be considered in evaluating the needs of those families.

Thank you.

[The prepared statement and attachments follow:]

## SSI: THE OTHER PIECE OF THE WELFARE CRISIS

Carolyn L. Weaver, Ph.D.  
The American Enterprise Institute  
Washington, D.C.

Hearing on Changing Eligibility Standards for Supplemental Security Income  
Testimony before House Ways and Means Subcommittee on Human Resources  
January 27, 1995

Mr. Chairman. My name is Carolyn Weaver and I am a Resident Scholar and Director of Social Security and Pension Studies at the American Enterprise Institute. I am also a member of the Quadrennial Social Security Advisory Council and the new Social Security Advisory Board. I have served on two public advisory councils dealing with federal disability policy. It is in my capacity as an economist and a public policy researcher that I speak to you today.

I'd like to begin by commending you on holding this hearing and preparing to tackle some of the problems that plague SSI. Were it not for the tireless efforts of House Republicans over the last year or so, SSI would not even be on the table for discussion. Under the pretense of "ending welfare as we know it," welfare reform would have proceeded without consideration of the single largest, and fastest growing, cash welfare program in the federal budget. SSI would have remained on the shelf, where it has been for most of its 23-year history, largely immune to the scrutiny received by other federal welfare programs.

The absence of serious scrutiny by Congress shows. The program is growing like gang-busters and serving a population that is very different than when it was created. It cries out for reform to address both specific problem areas, such as those you will be considering today, as well as more deep-seeded problems in the underlying premises of the program.

Having said that, I hasten to add that SSI has been a vital lifeline for some of America's most vulnerable citizens--the elderly and the disabled poor. It provides a nationwide, minimum income guarantee (\$5,496 annually for individuals and \$8,244 for couples in 1995) that is cost-of-living adjusted each year and financed almost entirely by the federal government. The challenge is to find ways to eliminate inappropriate benefits and to improve the way benefits are delivered to the truly needy.

#### Program Growth:

SSI is more costly and growing much more rapidly than AFDC (Aid to Families with Dependent Children), the focus of the welfare reform debate. In 1993, the most recent year for which data are available, an estimated 6 million people received SSI, up nearly one-half since 1980 and one-quarter just since 1990. Federal spending stood at \$23 billion, double its level (in real dollars) in 1980. Federal spending on AFDC, by contrast, was \$16 billion in 1993, up 23 percent in real terms since 1980. According to the President's budget last year, the SSI benefit rolls will grow so rapidly in the next few years that, by the end of the decade, the cost of the program (including federal and state spending) will exceed the cost of AFDC, Food Stamps, subsidized housing, the greatly expanded Earned Income Tax Credit, and all other major public assistance programs except Medicaid.

Since SSI is a ticket to Medicaid (and can be a ticket to Food Stamps as well), the rapid growth of SSI does not bode well for the nation's giant health-care program for the poor either. The reason is the relatively high cost of health care for the aged and disabled, particularly long-term care. According to data compiled by the House Ways and Means Committee, in 1992, Medicaid spending averaged \$2,936 per capita--but was \$7,700 for the elderly and \$7,612 for people with disabilities as compared to \$1,752 for AFDC adults and \$959 for AFDC kids. The bulk (approximately 70 percent) of Medicaid spending is for the aged and disabled, not AFDC mothers and children as often assumed.

#### Changing Mix of Elderly and Disabled Recipients

Many people view SSI, erroneously, as a program serving mainly as a safety net for the elderly poor. While this once was true, it no longer is. SSI has been transformed over the years into a program serving mainly working-aged adults (and increasingly children) with disabilities.

When SSI was created in the early 1970s--federalizing the old-age assistance, aid to

the disabled, and aid to the blind programs around the country--most SSI recipients were, in fact, elderly. Typically, they were elderly people who were not eligible for social security or whose pensions left them in poverty. Over the years, as the elderly have gained eligibility for higher social security benefits and their general economic well-being has improved, the number of elderly people on the rolls has generally fallen. Whereas 2.3 million elderly people were on SSI in 1974, the program's first year in operation, the number fell to a low of 1.4 million in 1988 and has grown slowly since then.

**Growth Areas--Aliens:** Underlying the slowdown in the improvement in the SSI-elderly rolls is the great expansion in the number of aliens on SSI, which accompanied the huge influx of legal immigrants during the 1980s and early 1990s. As shown in Chart 1, immigrants comprised 28.2% of the elderly on SSI in 1993, up from 5.9% as recently as 1982. The rapid growth in the number of aliens first moderated and then reversed the decline in the overall number of elderly SSI recipients. Indeed, were it not for the surge of aliens on the rolls, the number of elderly people on the rolls would have fallen quite significantly--by about 400,000--since 1982.

Because elderly immigrants generally have less countable income, especially social security, than other elderly recipients, they tend to receive higher--on average, much higher--payments (\$393 monthly compared with \$176 monthly in December 1993, according to the Office of Supplemental Security Income). The changing mix of elderly recipients thus puts upward pressure on costs despite the relative stability in overall caseload.

**Disabled Recipients:** Alongside the long-term decline in the number of elderly people on SSI, there has been an explosion in the number of disabled people on the rolls--doubling between 1974 and 1990, from 1.7 million to 3.4 million, and increasing by over one million in the past three years alone to about 5 million. Today, as shown in Figure 2, three out of four SSI recipients are people with disabilities.

The typical person receiving SSI-disability is in his or her thirties, has a high school education or less, and, in contrast to the familiar image of someone in a wheelchair with a physical disability or someone who is blind, has been granted benefits on the basis of a mental disorder--schizophrenia, chronic depression, or anxiety, for example. While some of these conditions are obviously severe and generally disabling in the labor market, others are not and, in any event, are notoriously difficult to evaluate with precision. As shown in Figure 3, fully one-third of adults on SSI-disability have a mental disorder--in addition to the one-fourth who have mental retardation. Young people with mental disorders are the fastest growing segment of the adult SSI population. The prospects that these people will ever return to work (or go to work) are very poor.

**Kids with Disabilities:** Thanks to a 1990 court order and new regulations that loosened eligibility for children, together with other regulatory changes in 1990, children with disabilities are the fastest growing segment of the SSI population today. Stretching SSI in ways never contemplated in 1974, 225,000 children with disabilities (mainly mental disorders, including the much-discussed attention deficit disorder, and mental retardation) were added to the rolls in 1993, triple the number in 1989. As shown in Figure 4, the number of children on the rolls now approaches one million, or close to one out of five people on the SSI-disability rolls.

According to the GAO, there have been "huge increases in the number of children awarded benefits because of mental retardation and other mental disorders"--accounting for more than two-thirds of the growth of awards between 1988 and 1992. In the more recent period, 1991-1993, "behavioral problems," which include personality disorders, attention deficit hyperactivity disorder, autism and other developmental disorders, accounted for one-fifth of all mental impairment awards to children.

**Addicts and Alcoholics:** As highlighted by the popular press, even alcoholics and drug addicts have found their way onto SSI in growing numbers. According to the Social Security Administration, the number of people on the rolls with substance abuse as their primary disorder (in other words, without some other qualifying disability, such as cancer or heart disease), nearly quadrupled in the 3-1/2 year period October 1990 to April 1994, rising from 23,000 to 86,000. The General Accounting Office reports that between the two disability programs administered by the Social Security Administration--SSI-disability and Disability Insurance (which, like social security retirement, pays benefits to covered workers based on their average earnings while working, not based on financial need)--250,000 drug

addicts and alcoholics are receiving monthly benefits at an annual cost of \$1.4 billion, with over one-half of these addicts added to the rolls in the past five years. No doubt, many more people are on the rolls with addictions that contribute to their disabilities, such as people with severe organ damage or mental illness, or with addictions that are secondary to their primary disorders.

The legislation passed last fall took a step toward limiting payments to substance abusers. Under the law, SSI payments for people disabled by reason of drug abuse or alcoholism will be suspended during periods of failure to comply with a treatment program. In addition, benefits will be terminated after 36 months (excluding any periods during which payments are suspended for failure to comply with treatment). SSA is responsible for referring recipients to appropriate treatment programs and monitoring their compliance.

Unfortunately, this provision will be a bureaucratic nightmare for SSA--in terms of identifying, notifying, tracking, and monitoring recipients, evaluating the suitability of treatment facilities, and periodically testing for substance abuse, and in terms of the appeals that will inevitably result; worse, its effects on rehabilitation, benefit terminations, and budget savings will be uncertain at best. For one thing, SSA is not authorized or funded to provide treatment and it can not require people to pay for it. The most SSA can do is make referrals. Benefits cannot be suspended, moreover, unless treatment is actually available. For another thing, Medicaid will be continued during periods of suspension and after termination from the benefit rolls. Finally, the 36-month time limit applies only to those who would not be found disabled except for drug addiction or alcoholism, not to the (presumably much larger) group of people for whom substance abuse contributes to their disability. People will continue to be granted benefits based on substance abuse disorders.

This provision clearly needs rethinking and I commend the Subcommittee for its efforts in this regard.

**Rethinking SSI for Kids:** Between the rapid growth of the benefit rolls and news reports of kids being coached on how to behave "inappropriately" so as to qualify for SSI, the payment of SSI to children has become the focus of some controversy. There are two main concerns: first, are the kids seriously disabled within the meaning of the law, and second, are the payments needed? Poor families with kids on SSI receive much more support than other poor families.

In this latter regard, kids are eligible for \$458 monthly (in 1995), the same as an elderly person or disabled adult living in their own home. Set to ensure that, together with Food Stamps, the elderly and disabled poor have a near-poverty level of income, SSI payments are much higher than AFDC payments, resulting in large disparities in income support for poor families depending on the disability status of their children. In a typical state, a poor mother with two children, one on AFDC and one on SSI, receives *twice* as much public assistance as a poor mother with two children on AFDC. Were the latter mother able to have one of her children certified as disabled and qualified for SSI, she would, based on 1994 benefit amounts, forgo \$72 monthly in AFDC in exchange for \$446 monthly in SSI, raising her family's income from \$366 to \$740 monthly; were the other child to qualify for SSI as well, family income would rise to \$1,104 monthly, fully triple that of the AFDC family. (In contrast to AFDC, SSI awards each additional child the same full benefit, with no reduction in marginal benefits, and there is no limitation on family benefits.) The states administering these programs are hardly indifferent to this shift in support since they must bear about 45 percent of the cost of AFDC but none of the cost of SSI (states have the option to supplement the federal SSI payment and only some choose to).

With welfare reform a top priority, it is only appropriate to question the premises of this program--all the more because it was an afterthought in the original SSI legislation. In the massive social security and Medicare bill moving through Congress in 1972, which contained the proposal for SSI, there was not even a mention of children's benefits. Disability was defined in terms of complete inability to work and SSI payments were intended to replace lost income. The idea of payments for children (who did not work and had no earnings, but nevertheless had disabilities somehow construed to be of "comparable severity") apparently was conceived by a senior welfare official in the Nixon Administration who, although the record is not clear on this point, managed to get a 26-word amendment inserted into the final bill without objection or debate. The program so created was of little note for the better part of two decades, during which time cash assistance was made available to a group of no more than 200,000-300,000 children annually.

All of this changed in 1990. In that year, in Sullivan v. Zebley, the Supreme Court ordered SSA to relax the criterion used for assessing disability in children and to review the

cases of hundreds of thousands of children denied benefits since 1981. To implement this decision, SSA issued regulations creating a new test of eligibility based on a child's ability or inability to behave in an "age-appropriate manner," a test that must be used when benefits would be denied on the basis of the severity of the physical or mental impairment alone. This was intended to make disability benefits available to children on terms more comparable with adults, who, if found not disabled based on the severity of their impairments alone, have vocational factors (i.e., age, education, and work experience) considered in combination with their "functional capacity" to perform work-related activities. These new regulations came on line at just about the same time as new regulations for assessing mental disorders, which, among other things, expanded the group of qualifying disorders to include attention deficit disorder, and elevated the importance (relative to medical evidence by physicians) of testimonials by friends, teachers, and family members in the evaluation of disabilities.

The GAO reports that 30% of the children coming on the SSI rolls since the Zebley decision was implemented were awarded benefits based on the new "age-appropriate behavior" test, meaning that they would not have been found eligible under the criterion in place until that time; 70% were awarded benefits on the basis of the severity of their mental or physical impairments (overwhelmingly mental, as evaluated under the new mental impairment regulations).

The surge in the number of children on SSI-disability has brought this program into the open and, at least in the minds of some, raised the question of why we even have it, given that it appears to duplicate the purpose of AFDC, which is to help meet basic living expenses (such as food, clothing, and housing), albeit at a much higher benefit level, and Medicaid is available in either event. Proponents argue that the reason for the program is that disabled children are much more expensive to raise than other children. Surely this is true, on average. But it begs two questions--how much more expensive and how much of the expense is actually born by the families? Surely the cost of raising a disabled child varies enormously depending, among other things, on the type and severity of the disability (consider a child with, say, cystic fibrosis or a spinal cord injury or who is deaf and blind, as compared to one who is deaf or mildly retarded, but not profoundly so and without other complications). No doubt some children have enormous expenses--certainly larger than \$458 monthly--and no doubt some have none at all. What's relevant is not the size of these expenses but the extent to which they are unmet by other sources. Medicaid is surely critical in this regard, but, as documented in a study just released by the National Academy on Social Insurance, there are a number of other programs serving particular needs and particular groups, including the Children with Special Health Care Needs program, now part of the Maternal and Child Health Block Grant, the Education for All Handicapped Children Act, and the Part H Early Intervention program.

Within the context of the current system, a good case can be made for converting the SSI payment for children--an unrestricted cash transfer that is unrelated to their special needs and may or may not be used to meet them--into a voucher that can be used only on the added costs of raising a child with a disability that are not met by other programs. Alternatively, expenses that are necessary but uncovered might be provided under the Medicaid program at Federal expense. Either way, the idea would be to eliminate payments to families with no claim to them other than the presence of a disabled child while meeting the legitimate needs of families with extraordinary expenses associated with their disabled child. Neither change would preclude more major reforms of SSI, such as providing block grants to the states in lieu of some or all of the current program.

Addressing this aspect of SSI is important in its own right, but even more so in the context of welfare reform more generally. An unreformed SSI program could well become an escape hatch--albeit an expensive and poorly targeted one--for families who lose eligibility under AFDC.

**Broader Issues:** While SSI does not present the problems in the forefront of the welfare reform debate--teen pregnancy, out-of-wedlock births, and the cycle of dependency--it nevertheless presents problems that demand public attention. Some of these problems you are preparing to deal with right away, as I can see from legislative proposals that are circulating and the other witnesses testifying today. Others will require more time--as well as the cooperation of other subcommittees. (The definition of disability in the law, and the regulations governing how to decide who is disabled, for example, track those used in the much larger social security disability insurance program.) Most importantly, for people with disabilities, SSI discourages work and, in providing cash support with basically "no strings attached," tends to perpetuate the very conditions that preclude work and promote

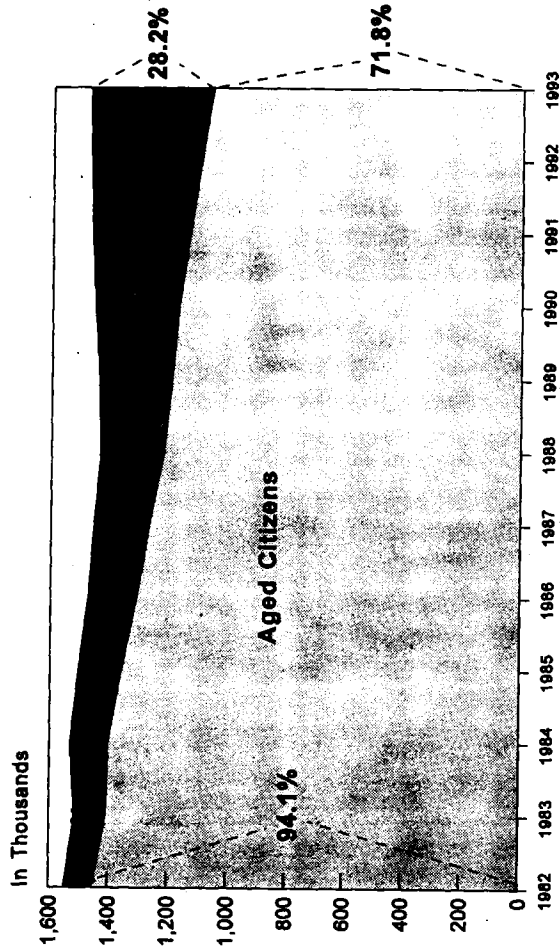


dependency. In addition, there are problems of eligibility determination that dwarf those in other public assistance programs. Whether in assessing an adult's ability to engage in "substantial gainful activity" or a child's ability to engage in "age-appropriate activities of daily living," the government's decisions about who is disabled and to what extent are costly, complex, inherently subjective, and frequently disputed.

Considering the social security disability programs more broadly, serious questions remain as to whether these sprawling government programs--premised on the complete inability to work--are congruous with modern views of the potential and the abilities of people with disabilities. Despite dramatic improvements in science and medicine, in technology and information, and in the educational opportunities of young people with disabilities, which have improved the quality of life of people with disabilities as well as the job opportunities open to them, the number of people on the disability rolls has never been higher. In 1993, some 9.7 million people, including family members under the DI program, received checks from the Social Security Administration based on a disability totalling \$56 billion. Most disability recipients are prime-age men and women; most will never leave the benefit rolls. The "once disabled always disabled" paradigm of social policy in the 1950s and 1960s remains deeply embedded in current government policy.

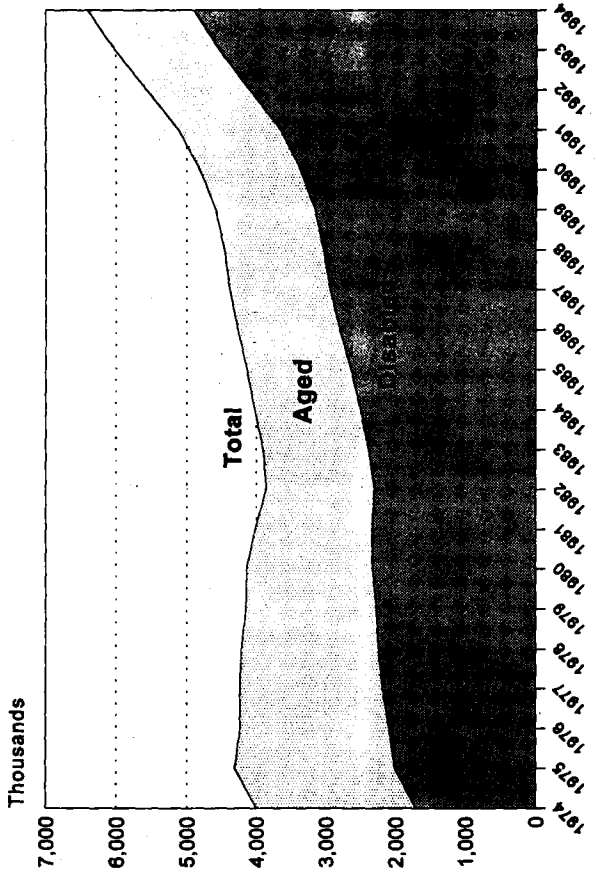
These are not easy problems to solve, certainly not on a piecemeal basis, but they nevertheless demand public attention.

**Figure 1**  
**Aged Persons Receiving SSI and**  
**Declining Share of Citizen Recipients**



Source: Charles Scott and Elsa Ponce, "Aliens Who Receive SSI Payments,"  
 Office of Supplemental Security Income, March 1994

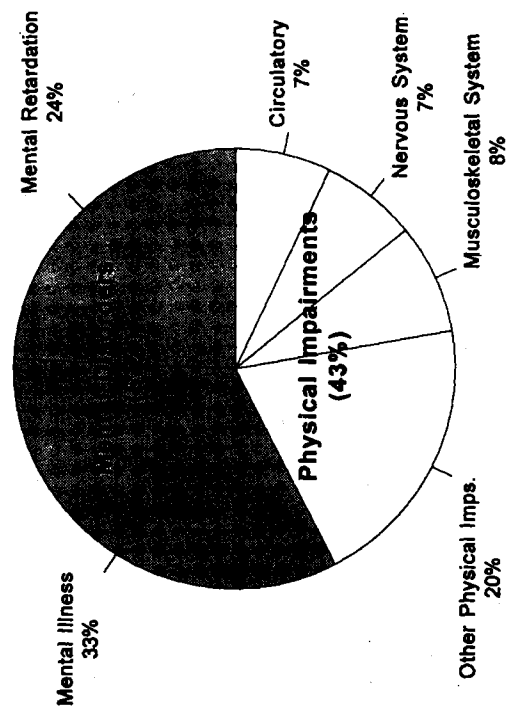
Figure 2  
People Receiving SSI



Note: Estimates for 1994.

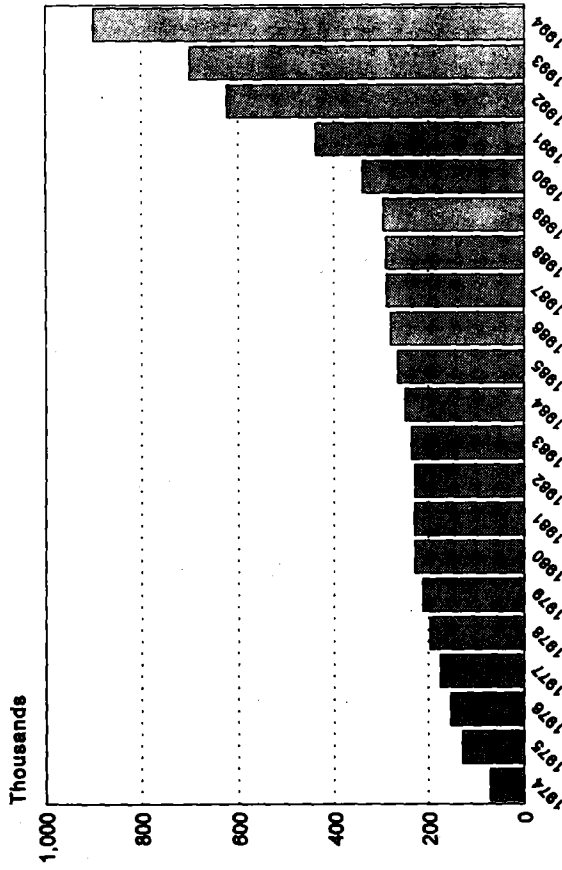
Source: 1994 Greenbook, p. 248, and Memo from M. Staren, SSA, to C. Weaver, Feb. 14, 1994.

Figure 3  
Adults on SSI-Disability Rolls  
by Leading Cause of Disability, Dec. 1993



Source: Social Security Bulletin, Annual Statistical Supplement, 1994, p. 300.

Figure 4  
Children Receiving SSI



Note: Calendar years 1975-1992; fiscal years 1993-1994. Estimate for 1994.

Source: D. Koltz, G. Kollman, and J. Meisner, "Status of Disability Programs of the SSA, 1994," CRS Report for Cong. (June 6, 1994), p. 33, and Memo from M. Staren, SSA, to C. Weaver, Feb. 14, 1994.

Chairman SHAW. Thank you, Dr. Weaver.  
Ms. Ross.

**STATEMENT OF JANE L. ROSS, DIRECTOR, INCOME SECURITY  
ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES  
DIVISION, U.S. GENERAL ACCOUNTING OFFICE**

Ms. ROSS. Thank you, Mr. Chairman.

I am happy to be here this morning to discuss the work that we have done on the growth of the SSI Program and the changes in the characteristics of the SSI recipients. Since 1986, benefit payments have more than doubled. And benefits for the disabled have accounted for almost 100 percent of this increase.

This morning, I want to talk about three groups that we have talked about already—these are the fastest growing parts of the SSI population. My remarks are based on GAO's recent work on disabled children, immigrants and substance abusers.

Figure 2 in my testimony shows the dramatic growth in these groups, as well as rough projections through the year 2000.

Let me turn to children first. Before 1989, the growth of child beneficiaries had been relatively low. But over the past 5 years, the number of children receiving SSI benefits has tripled from almost 300,000 to almost 900,000 today. If this recent rate of growth continues, about double that number, or about 1.9 million children could be receiving SSI benefits by the year 2000.

There may, in fact, be some upper limit on this. There is some research that suggests there may be a maximum of 1.4 or 1.5 million disabled children. Most of the growth is likely due to concerted outreach efforts by SSA and major changes in the eligibility criteria for children.

Let me say something in particular about the eligibility criteria and how they have changed. Eligibility changes have affected both growth and composition of the SSI children's cases.

In 1990, as you have heard, the medical impairment regulations were changed adding separate listings for such impairments as attention deficit hyperactivity disorder, autism and other pervasive developmental disorders, and personality and mood disorders. Two months later, it also added the new individualized functional assessment process, as directed by the Supreme Court.

These two changes in regulations are a major cause of the growth in the children's part of the program.

Turning to immigrants, between 1982 and 1993, the number of legal immigrants receiving SSI increased an average of about 16.5 percent a year. In 1993, an estimated 683,000 legal immigrants received SSI benefits.

There has been especially rapid growth among the SSI aged in terms of their legal immigrants; 28 percent of aged SSI are now immigrants. If this historical rate of growth of legal immigrants on SSI continues, this number could reach 2 million by the year 2000. Several factors may help to explain the growth of immigrants on SSI but no studies have yet established the relative importance of various explanations.

First, the number of immigrants admitted annually to legal residence in the United States has been increasing over the past decade, so it makes some sense the numbers on a particular program

might increase. A little more troubling is the large increase in percent of SSI aged.

Second, it may be that these aged immigrants are coming, having been sponsored by members of their family. These family members agreed to support their relatives for 3 years, however, at the end of the 3-year requirement, these elderly immigrants may apply for SSI. Recently, that was just changed from 3 to 5 years.

But administrative data indicate that about 25 percent of immigrants receiving aged SSI applied for benefits within 1 year of the expiration of their 3-year sponsorship period, so that is something to be looked at. In addition, several courts have ruled that the support requirements for these legal sponsors are not binding, even during the 3 years that the sponsorship is supposed to last.

Third, the growth of immigrants in the disabled program may be due in part to fraud. Several news reports have provided the accounts of legal immigrants being coached by middlemen on how to feign mental illness in order to qualify for SSI benefits. While State and Federal investigations have identified some cases of fraud, the extent of this kind of fraud is unknown.

Moving finally to the drug addicts and alcoholics, under SSI, there is a special program for drug addicts and alcoholics commonly called DA&A. You can receive benefits under this part of SSI if you meet two conditions: Specifically, you have to agree to undergo and comply with treatment, if treatment is available; and to have a third party or a representative manage the monthly benefit payments.

There were about 100,000 DA&A recipients on the SSI rolls in 1994. This SSI caseload grew nearly 700 percent since 1988.

We had previously done work and reported that many possible explanations exist for these increases, including again, increased outreach and cutbacks in State general assistance programs as well. But the extent of these and other factors is actually unknown. This alarming growth and the allegations of program abuse prompted the Congress last year to pass some reform legislation to strengthen the controls of payments to addicts.

Even with those in place, however, SSA projects a significant growth of about 53 percent of that part of the rolls between now and the year 2000.

In looking at the overall growth in SSI beneficiaries in recent years, several fundamental program concerns have been raised. For example, there are questions about the appropriateness of recent expansions in eligibility.

Concern has also been expressed about whether SSI cash payments are the most effective way to meet a beneficiary's needs. Still others have surfaced that suggest that eligibility expansions and the cash payments that SSA provides leave the program vulnerable to fraud and abuse.

In conclusion, we believe addressing these fundamental program concerns should help improve the effectiveness of public expenditures and begin to restore public confidence in the integrity of the SSI Program.

Congress has taken action already to address problems in the DA&A Program and is considering alternatives for disabled children and immigrants. These issues deserve more deliberation and we would be very happy to work with you.

This concludes my statement, and I would be happy to answer any questions you may have.

[The prepared statement and attachments follow:]



**TESTIMONY OF JANE L. ROSS, DIRECTOR  
INCOME SECURITY ISSUES  
UNITED STATES GENERAL ACCOUNTING OFFICE**

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our work on growth of the Supplemental Security Income (SSI) rolls and changes in the characteristics of SSI recipients. Last year, the Social Security Administration (SSA) paid nearly \$22 billion in federal benefit payments to about 6.3 million aged, blind and disabled SSI recipients. Since 1986, benefit payments have increased by \$13.5 billion, more than doubling. Benefits for the disabled accounted for almost 100 percent of this increase.

As figure 1 shows, before the mid-1980s, the number of all SSI recipients was relatively flat, and decreasing for the aged. Since 1986, the number of disabled SSI recipients under age 65 has increased an average of over 8 percent annually, adding nearly 2 million younger recipients to the rolls, while the number of aged and blind recipients has remained level.

The trend toward younger beneficiaries receiving SSI, coupled with low exit rates from the program, means that costs will continue to burgeon in the near term. Without a slowing in the growth of this younger population, SSI will become even more costly in the long term.

Since 1991, three groups have accounted for nearly 90 percent of SSI's caseload growth. For each group--disabled children, legal immigrants, and adults with mental impairments--the rate of growth significantly outpaced the growth rate for all other SSI recipients. Of the 2 million mentally disabled adults, roughly 100,000, or 5 percent, are disabled principally by drug addiction or alcoholism.

My remarks today are based on GAO's recent work on disabled children, immigrants, and substance abusers. Figure 2 shows the dramatic growth in these groups as well as rough projections through the year 2000. More specifically, I will focus on trends in caseloads for each of these populations and explain what we know about the reasons for past and expected growth in these populations. Then I will close with some observations about fundamental program concerns that growth in these populations raises.

#### BACKGROUND

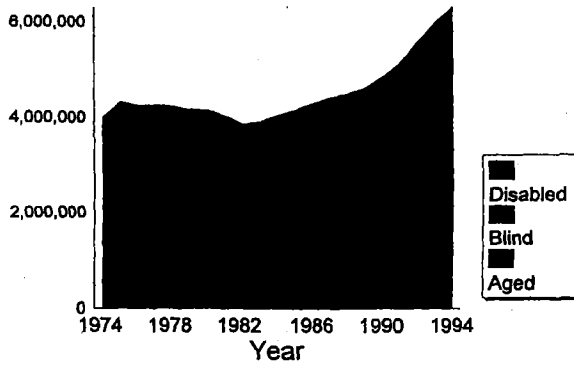
SSI provides a minimum income to needy aged, blind, and disabled persons. Congress established SSI in 1972 to replace federal grants to state-administered programs serving these populations. The grants varied substantially by state in benefit levels and eligibility requirements. The Congress intended SSI to supplement the Social Security insurance programs for those who had not earned a minimal Social Security benefit; Social Security benefits are also available to the blind and disabled as well as the aged. SSI benefits are paid from federal general revenues and are provided to people whose income and resources are below certain levels. They are different from Social Security benefits, which are paid from the Social Security trust funds to workers based on their payroll taxes.<sup>1</sup>

To be eligible for SSI, individuals must be 65 years old, blind, or disabled. To be considered disabled, individuals must be unable to engage in any substantial gainful activity because of a physical or mental impairment expected to result in death or last at least 12 months. Individuals cannot have income greater than the maximum benefit level or own resources worth more than \$2,000 (\$3,000 for a couple), subject to certain exclusions, such as a home. Individuals must also be U.S. citizens or legal immigrants.

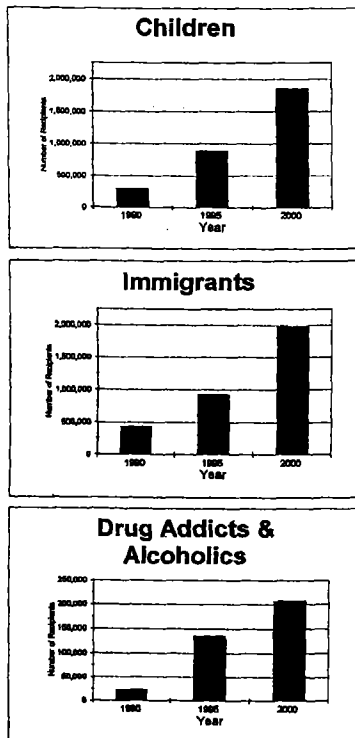
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<sup>1</sup>Social Security: Disability Rolls Keep Growing. While Explanations Remain Elusive (GAO/HEHS-94-34, Feb. 8 1994.)

**Figure 1: Number of SSI Recipients  
by Eligibility Group**



**Figure 2: Projected Increase in SSI Caseload  
For Three Fast-Growing Populations**



In 1994, the maximum federal SSI monthly benefit was \$446 per month for an individual and \$669 for a couple with both spouses eligible; these benefit rates are adjusted automatically for cost-of-living increases. This monthly benefit is reduced depending upon recipients' incomes, living arrangements, and other sources of support, including Social Security benefits. Since SSI provides income support as a last resort, SSI recipients must file for any other benefits for which they may be eligible, such as Social Security or workers' compensation. In 1993, 40 percent of SSI recipients also received Social Security benefits, down from almost 60 percent in 1986. This decrease reflects the fact that recent beneficiaries have very limited work history before going on SSI.

In addition to federal SSI benefits, states may choose to provide supplemental benefits. The District of Columbia and all but seven states provide these optional supplements. These state supplements vary, reflecting differences in regional living costs as well as in living arrangements. Most SSI recipients are also eligible for Medicaid and Food Stamps.

#### CHILDREN

Before 1989, the growth in child beneficiaries had been relatively low. Over the last 5 years the number of children receiving SSI benefits has tripled, from almost 300,000 to almost 900,000 today.<sup>2</sup> Over the same time, children have become a larger portion of the SSI rolls--up from 6.5 percent to 14.2 percent. Benefit payments to children have increased as well--from \$1.2 billion to \$4.5 billion between 1989 and 1994.

The number of child beneficiaries is continuing to grow at a rapid rate. The number of children receiving SSI increased 15.8 percent from 1993 to 1994, and if this rate of growth continues, 1.86 million children will be receiving SSI benefits by the year 2000. (See fig. 3.)

Most of the growth is likely due to concerted outreach efforts by SSA and major changes in eligibility criteria for children. Increases in the number of poor families and rising numbers of disabled children also contribute. In addition, some believe that fraud and abuse--parents coaching their children to fake mental impairments--could account for some of the increase.

In 1989, the Congress required SSA to establish an ongoing outreach program targeted to poor blind and disabled children. The settlement pursuant to the February 1990 Supreme Court decision in Sullivan v. Zebley also required SSA to launch a national media outreach campaign, which was supplemented by a national children's SSI campaign conducted by child advocates. Since the outreach efforts began, the number of applications for children's benefits has grown more than fivefold.

Eligibility changes have affected both growth and composition of the childhood SSI cases. In December 1990, SSA revised its medical standards for assessing mental impairments in children, adding separate listings for such impairments as attention deficit hyperactivity disorder, autism, and other pervasive developmental, personality, and mood disorders. Two months later, it also added the new individualized functional assessment process required by SSI statutory standards as interpreted by the Supreme Court, substantially expanding eligibility for children who did not meet SSA's strict medical criteria. As a result, the number of children qualifying on the basis of the revised medical standards for mental impairments tripled, from 1,900 a month before the change to 6,000 in 1994. In addition, the new functional assessment process has added about 219,000 children to the rolls through September 1994.

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<sup>2</sup>Social Security: Rapid Rise in Children on SSI Disability Rolls Follows New Regulations (GAO/HEHS-94-225, Sept. 9 1994.)

accounting for one-third of all awards since it went into effect in 1991.

Children with mental impairments figure prominently in this growth. Increases in awards to children with mental impairments--based on the medical standards and the new assessment criteria--account for three-fourths of the overall increase in awards since the eligibility changes went into effect. In 1994, children with mental impairments received over 70 percent of all awards, including over 85 percent of awards based on the new functional assessment criteria.

#### IMMIGRANTS

Between 1982 and 1993, the number of legal immigrants receiving SSI increased an average of 16.5 percent a year. During this time period, the portion of immigrant recipients grew from about 3 percent of all SSI recipients to over 11 percent. In 1993, an estimated 683,000 legal immigrants received SSI benefits at a cost of about \$3.3 billion, based on our ongoing study of immigrants' benefits. Slightly more than 60 percent of these immigrants received aged benefits and the remainder received disabled benefits.

The numbers of legal immigrants in the SSI aged program and the SSI disabled program have increased dramatically. In 1982, 6 percent of all SSI aged recipients were immigrants; by 1993, 28 percent were immigrants. Immigrants constitute a much smaller percentage of SSI disabled recipients--about 6 percent in 1993, having increased from less than 2 percent in 1982. If the historical growth rate in the number of legal immigrants on SSI continues, this number could reach nearly 2 million by the year 2000.<sup>3</sup> (See fig. 4.)

Several factors may help explain the growth of immigrants on SSI, but no studies have yet established whether, and to what extent, these actually account for the growth. First, the number of immigrants admitted annually for legal residence in the U.S. has gradually increased in the last decade. For example, 880,000 were admitted in 1993, compared with 570,000 in 1985.<sup>4</sup> In addition, the legalization of nearly 3 million former illegal immigrants under the Immigration Reform and Control Act of 1986 may have expanded the population of immigrants eligible for SSI.

Second, the large increase in the percent of SSI aged recipients who are immigrants may be due in part to the admission of elderly immigrants for permanent residence who join family members already residing in the U.S. Some legal immigrants are admitted into the country under the financial sponsorship of a U.S. resident. Sponsors sign an affidavit of support, in which they state they will provide financial assistance to the immigrant for 3 years. However, several courts have ruled that these affidavits of support are not legally binding.

Before 1994, the "deeming" provisions of the SSI program held that in determining eligibility for SSI, a portion of the sponsor's

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<sup>3</sup>This projection makes no adjustment for limitations of administrative data from SSI that may overstate the number of legal immigrants receiving benefits. SSI data may not have a recipient's current immigration status if an immigrant's status changed and the agency was not notified. For example, lawful permanent residents can become citizens after five years of residing in the U.S. and meeting other criteria. Immigration data that track legal immigrants over time suggest that at least 20 percent eventually become citizens.

<sup>4</sup>These figures do not include former illegal immigrants who were legalized under the Immigration Reform and Control Act of 1986.

Figure 3: Growth in SSI Children,  
Projected to the Year 2000

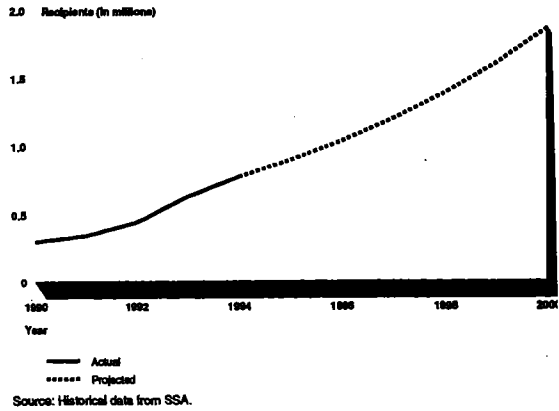
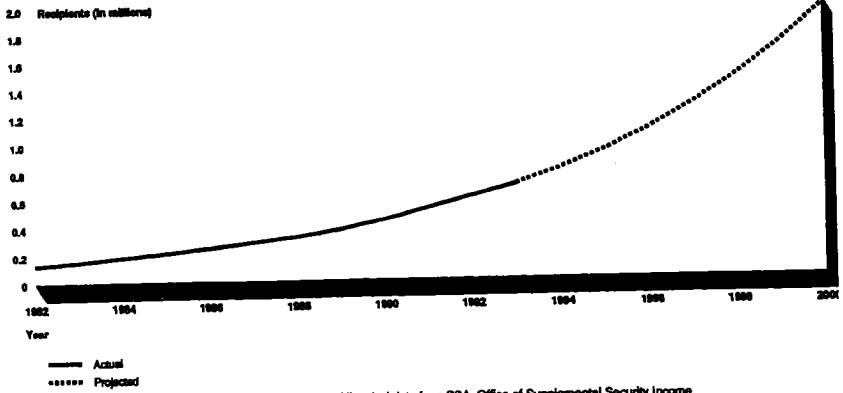


Figure 4: Growth in SSI Immigrants, Projected to the Year 2000



income was deemed to be available to the immigrant for 3 years. Administrative data indicate that about 25 percent of lawful permanent residents receiving SSI applied for benefits within a year of the expiration of their 3-year sponsorship periods. Some of these may have been elderly immigrants who, not having resided in the U.S. long enough, did not qualify for Social Security retirement benefits. The deeming period for SSI was temporarily extended from 3 to 5 years starting in January 1994 through September 1996.

Third, the growth of immigrants in the disabled program may be due in part to fraud. Several news reports have provided accounts of legal immigrants being coached by middlemen on how to feign mental illness to qualify for SSI benefits. While state and federal investigations have identified some cases of fraud by immigrants in the SSI program, the extent of the problem is unclear.

#### DRUG ADDICTS AND ALCOHOLICS

Under a special SSI program commonly referred to as the DA&A (drug addicts and alcoholics) program, certain recipients (all called "addicts" here) can receive SSI benefits only if two conditions are met. Specifically, they must (1) undergo and comply with treatment, when available, and (2) have a third party or representative payee manage their monthly benefit payments. GAO work has documented past problems with the representative payee system.<sup>5</sup> The DA&A program is restricted to those addicts whose addiction is material to the determination of their disability; that is, if it were not for their addiction, they would not qualify for benefits.

About 101,000 DA&A recipients on the SSI rolls in 1994 received an estimated \$382 million in annual federal SSI benefits. The SSI caseload grew nearly 700 percent for the DA&A program from only about 13,000 cases in 1988. We previously reported that many possible explanations exist for these increases, including increased SSI outreach and cutbacks in state general assistance programs that have resulted in more SSI applications. However, the extent to which these and other factors contribute to the increase is unknown.

This alarming growth and allegations of program abuse prompted the Congress to pass major reform legislation to strengthen controls of payments to addicts. These reforms were included in the Social Security Independence and Program Improvements Act of 1994 enacted on August 15, 1994.

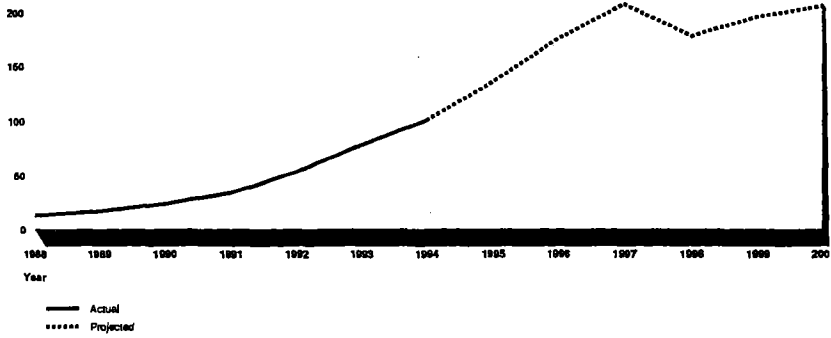
For 1995 through the year 2000, the program is expected to continue to grow to over 200,000 DA&A cases, or about 53 percent, a much slower rate than that experienced in the 1988-1994 period (see fig. 5). This growth incorporates the programmatic changes made by the new legislation and represents the number of cases that will require treatment monitoring. SSA projects that for the SSI caseload the average rate for the 1995-1997 period will be about 27 percent; in 1998, a reduction in the growth rate of about 14 percent is projected; and the rate of growth for 1999 and 2000 is projected at only 10 and 6 percent, respectively.

According to SSA, much of the future growth is based on expanding referral and monitoring agencies to cover all states. These agencies--under contract with SSA--work with SSA field offices to monitor addict compliance with the treatment requirement. Past experience has demonstrated a relationship between the presence of one of these agencies and increased participation in the DA&A program. In 1993, SSA only had contracts

<sup>5</sup>Social Security: Major Changes Needed for Disability Benefits for Addicts (GAO/HEHS-94-128, May 13, 1994.)

Figure 5: Growth in the SSI DA&A Population, Projected to the Year 2000

250 Recipients (in thousands)



Source: SSA, Office of Disability

covering 18 states, but has increased that coverage currently to 45 states and the District of Columbia. The reduction in growth that is projected for 1998 is attributed to the new legislation that generally requires that, effective on March 1, 1995, SSI benefit payments to addicts in the DA&A program be terminated after 3 years.

The legislation also mandates a number of other actions designed to strengthen controls over benefit payments to addicts. These actions include expanding the DA&A program requirements to cover Disability Insurance (DI) beneficiaries and mandating an SSA study of the feasibility, cost, and equity of requiring representative payees for all DI and SSI addicts, irrespective of whether their addiction is material to the determination of disability. The study is due no later than December 31, 1995.

#### FUNDAMENTAL PROGRAM CONCERNS

In looking at the overall growth in SSI beneficiaries in recent years, several fundamental program concerns have been raised. For example, there are questions about the appropriateness of recent expansions in eligibility. Concerns have also been expressed about whether SSI cash payments are an effective way to meet beneficiaries' needs. Still other concerns have surfaced that suggest that eligibility expansions and the cash payments that SSI provides leave the program vulnerable to fraud and abuse.

Regarding children, questions have been raised about the underlying rationale for providing benefits to disabled children through this program, which was designed primarily to replace income for adults whose disabilities precluded work. In addition, concerns have surfaced about the effectiveness of meeting the needs of disabled children and their families through cash payments rather than services directed to treatment of their specific disabilities. Some also ask how the program could better meet the needs of disabled children to reduce their dependence on SSI as they become adults.

In the case of immigrants on SSI, immigration policy regarding sponsorship requirements and the length of time immigrants must reside in the U.S. before becoming eligible for benefits should be reviewed. The idea that one can sponsor a person for a short time, then pass that sponsorship obligation on to SSI raises concerns about the design of SSI rules. As a result, there have been proposals to change the eligibility criteria for recent immigrants as a means to stem the influx in immigrants on SSI.

For the DA&A program, some question whether stronger efforts should be made to rehabilitate drug addicts and alcoholics. In addition, some suggest that financing substance abuse treatment programs would be more effective than providing cash payments to addicts. Recent changes in the law continue cash payments through qualified representative payees, which should assure better accountability, while better meeting the needs of addicted beneficiaries.

In conclusion, we believe addressing these fundamental program concerns should help improve the effectiveness of public expenditures and restore public confidence in the integrity of the program. The Congress has already taken action to address problems in the DA&A program, and is considering alternatives for disabled children and immigrants. These issues deserve more deliberation, and we would be happy to work on them with you.

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This concludes my written statement. I will be happy to answer any questions you may have.



Chairman SHAW. Thank you, Ms. Ross.

Mr. Camp will inquire.

Mr. CAMP. Thank you.

Dr. Weaver, you mentioned that legal aliens receive higher benefits—and I am not sure I caught the entire comment—higher than what group?

Ms. WEAVER. Than U.S. citizens on SSI. The reason is that the elderly citizen on SSI is very likely to have at least some Social Security or some small private pension, some other form of income that then offsets a portion of their SSI. The alien is much less likely to have these other sources of income. Since SSI is a minimum income guarantee, if you have some Social Security income, we offset for it. If you have nothing, then there is no offset.

The GAO reports that aliens on SSI receive benefits that are at least about twice as high as citizen recipients, meaning that even if there were a fairly stable elderly caseload, it would become relatively more and more expensive.

Mr. CAMP. And do I understand that your view as to why the number of aged citizens has been declining is that just the same thing, Social Security and they have other sources of—

Ms. WEAVER. I think it is basically that. You look at the long-term historical trend since 1974, and it has been a long-term downward line, despite what has been happening in many other public assistance programs. Much as people anticipated in 1935, as Social Security has expanded and people have gained eligibility for larger benefits over time, and private pensions have developed as well, the elderly relied less on public assistance.

Mr. CAMP. Now we have had—you mentioned in your testimony the growth in SSI benefits to children as a result of the *Zebley* decision and the regulations that followed that had the age-appropriate manner tests. And I have been hearing from many people, also from teachers and school officials who are the ones who verify this information.

Can you tell us how children with disabilities got added to the SSI Program in the first place? And wasn't it originally designed to replace the income of people who were disabled without resources to provide for themselves?

Ms. WEAVER. The word I and others have used to describe how kids get added to the SSI Program is that it was an afterthought in 1972. The SSI legislation was going through as part of a massive Social Security and Medicare bill, which was very distracting in and of itself. SSI was designed to take over and federalize the various State programs of aid to the blind, aid to the disabled, and old age assistance that had been created in the thirties. These had been Federal-State programs since 1935.

SSI was created to replace lost income for an elderly person or a disabled adult. There were criterion established for the disabled person, that is, that he or she be completely unable to work. So the popular wisdom goes, some senior official managed to get a brief amendment inserted into the final legislation, without debate, that expanded SSI to include children. Since kids didn't work and didn't have wages to lose, the legislative language spoke in terms of disabilities of comparable severity to those of adults.

Under that language, SSA throughout the years had been using a test that basically looked at the medical severity of a child's mental or physical impairment, without these additional functional assessments that we are now talking about and that the Supreme Court helped bring about.

Mr. CAMP. Do I understand, in looking at your testimony, that a child might have been denied benefits based on the nature of the disability but because the behavior of his is age-inappropriate, may qualify for benefits?

Ms. WEAVER. It is a new test that applies to children who would otherwise be found ineligible under the medical criterion.

Mr. CAMP. Now, the test for adults is one that requires some other factor in connection with the disability, and could you explain that a little bit?

Ms. WEAVER. Again, you begin by looking at the medical severity of the individual's mental or physical condition. Then you proceed, assuming that it is a severe impairment but not one that meets the listings, to assess vocational factors, such as age, education, and work experience, and something called residual functional capacity. These additional steps in the process were not done for kids, because these tests, the argument would be, related to work ability and to work skills. The evaluation process for children stopped at that determination of medical severity.

Mr. CAMP. One of the concerns I have heard also is that the cash payment then goes to the parent and there is no accounting or requirement that the funds be spent for medical needs or purposes; is that correct?

Ms. WEAVER. I think that is a fair way to characterize it, that in practice SSI is an unrestricted payment to children of up to \$458 a month. That is the same payment Congress has deemed appropriate for an elderly individual living alone or a disabled adult living alone in their own home. The family would receive that on behalf of the child. And it may or may not be related to any special needs of that child, and it may or may not be spent for the benefit of that child.

Mr. CAMP. No requirement that it be used for prescription drugs or medicine—

Ms. WEAVER. I would be surprised if the statute didn't include some language that it be for the benefit of the child, but I would defer to Jane Ross from GAO. Do you know? As a practical matter, I am absolutely certain it is an unconstrained check to families.

Mr. CAMP. Thank you, doctor.

I have no further questions.

Chairman SHAW. Ms. Kennelly will inquire.

Mrs. KENNELLY. Thank you.

Ms. Weaver, you suggested we send SSI possibly back to the States in the form of block grants. Governor Engler of Michigan testified before us during these hearings; and this man, this Governor, was a champion of block grants: Send it to him, and he could do it. Yet, interestingly enough, he said to us, don't send me SSI. I just don't want SSI.

So does this make you think that States are ready to embrace SSI as they might welfare and—

Ms. WEAVER. I really wouldn't put my remarks about block grants under the category of a recommendation. What I was saying is that SSI and disability insurance, the two Social Security Programs, are in need of major reform. So when I come here and discuss something like modifying kids' benefits, I want to make sure it is understood that I am talking about program changes within the context of the current system.

I wouldn't want to rule out something much more significant, whether it be block granting, whether it be moving toward an earned income tax credit, whether it be moving in many other directions. I was really leaving open that issue.

Mrs. KENNELLY. Let me just take another—I thought I heard you say that if the cash payment is eliminated, there is Medicaid and other Federal programs that these children can go to.

Ms. WEAVER. I have not proposed eliminating it. I have proposed converting it to something that allows for some accountability where what a child actually has in extra costs is met by the Federal Government. So that would be, say, a voucher for unmet expenses, those added expenses that come about for certain children. We can come up with examples of children who are profoundly disabled—cystic fibrosis or whatever—that have large expenses. Likewise, you have got the other end of the range of severe impairments, maybe a case of mental retardation without other complications that is not severe or a child who is deaf or blind as opposed to deaf and blind.

The added cost of these children varies very dramatically, yet they are all eligible for the same flat payment. The idea is to target resources on the kids that need them. If children have minor additional expenses that are not met by some other organization, give them a minor amount of money either through the use of their voucher or through reimbursements or provision of service by Medicaid.

Mrs. KENNELLY. Well, you heard Alison's mother testify, and you have given great time to study this situation. And my understanding of other Federal programs is they are limited. Different States have different things that just don't happen, they don't get involved in.

And can you see us—if you were sitting here and you were wrestling with this problem, having seen Alison, having seen those people over there, yet knowing there is abuse going on, tell me how you would do it, doctor.

Ms. WEAVER. I wouldn't suggest for a moment that it would be an easy problem. But I think—

Mrs. KENNELLY. No, I am serious. You are an expert witness, and we appreciate you coming.

Ms. WEAVER. I would be very inclined in tight budget times to focus on medically necessary expenses for severely disabled children as the first cut. So consider tricycles—I am a mother of two young boys. I can't think of anything nicer than a tricycle for my younger boy.

On the other hand, I don't know whether that is necessarily one of the expenses that would be allowable under an alternative plan. I am not saying it wouldn't be, but I do think that it is the kind of expense you need to consider carefully and decide whether or not

it is worth the extra cost. It might be that physical modifications of equipment required for some children may well be an appropriate expense. That may be one of the big categories that would not be covered by other programs.

What you run into with physical modifications is that you might end up, for some children, spending more than the current amount. On the other hand, you would be spending much less for a number of children. I am afraid we don't know what the distribution of those kids is in terms of who has what kind of expenses to be met.

Mrs. KENNELLY. Let me put it another way. We know that there is a certain percentage, 40 something, that is retardation. We know another almost I guess 40 percent is physical disability. Then we have this smaller area that is I think where some of the abuse takes place, where it is not so provable, whether it is mental retardation, which can be proved, and physical retardation.

So maybe we should look at that particular area first and then go on?

Ms. WEAVER. What is so difficult about both of the Social Security Disability Programs is that, within any category you pick, you are going to have a full range of severities within the term "severe." You are going to have people who must live in institutions—they are so severely mentally impaired, for example—and you will have people functioning in the outside world—they can work in a sheltered workshop-type environment, for example. Both are qualified for the programs.

That is what makes it so difficult. And it is what keeps bothering me by the word abuse. I understand your desire to go after abuse, but this is a program where there are so many gray areas, so much room for subjectivity in decisionmaking, so much residual capacity to work, even among people with the most profound disabilities, with the right assistive technologies, with the right computer technology and the like.

In your own thinking I would urge you to get away from the notion that is built into these systems that disability is black or white; that it is very severe or it is not; that it either completely precludes work, play or school or it doesn't. It doesn't tend to work that way.

Disabilities exist on a continuum all the way to complete health. Few of us have complete health without some physical or mental limitations ourselves.

Having said this, yes, there must be categories that you can begin with if you are looking for slicing up the pie, where you get to these profoundly physically or mentally disabled children.

Mrs. KENNELLY. And shelter them immediately and then go on? Thank you, doctor.

Mr. CAMP [presiding]. Mr. McCrery may inquire.

Mr. MCCRERY. Thank you, Mr. Chairman.

Thank both of you for coming today and sharing with us your research on these matters.

Ms. Ross, you stated that if there were no changes in the SSI Program for Children, there would be explosive growth in this program over the next few years. Would you restate the figure that you gave us of the number of children that would be enrolled in this program by the year 2000?

Ms. ROSS. Yes. I said that the number might double if the rate of growth stayed the same as it is now, which is about 15 or 16 percent a year. So the number might be as high as 1.8 million children.

Mr. McCRERY. Do you have any idea what the cost of the program would be at that level?

Ms. ROSS. I don't, right offhand.

Mr. McCRERY. The cost of the program now is about \$4.5 billion. So I guess——

Ms. ROSS. It would at least——

Mr. McCRERY. At least double, not counting inflation.

Ms. ROSS. Right.

Mr. McCRERY. So in 1994 dollars or 1995 dollars, it would be close to \$10 million.

Again, Ms. Ross, let's talk about the IFA for just a moment. Is it your view that the individualized functional assessment that has been used as a result of the *Zebley* decision has resulted in some children receiving SSI benefits who should not be eligible for SSI benefits?

Ms. ROSS. I think I would phrase it differently. Our concern is that the individualized functional assessment is so subjective that there really isn't any assurance of how reliable the process is or how consistent the decisions are. I have seen a study that the Social Security Administration has done which showed a set of people who had had approvals and then they were approved by the next level and the next one found an error. Our view of that in the work we have done is that it is not that there was an error among the first two groups of people but that it is so subjective that it is not possible to gain consistently with this current process in which you look at several domains and try and judge the level of severity to determine whether a child qualifies for disability.

Mr. McCRERY. Dr. Weaver, do you think the IFA is an appropriate standard to use for assessing the needs of children to be on SSI?

Ms. WEAVER. I wish it were an easier question to answer. Any time you get into these kinds of subjective tests you are just setting yourself up for lots and lots of problems.

For example, there has always been concern about getting rid of the test used for adults because it might actually help SSA screen people out when decisions are being made more conservatively.

I am not sure that this test works quite the same way. Presumably it would tend to screen out some, but at this point it is being used very successfully to screen kids in, particularly kids with mental impairments.

Mr. McCRERY. Don't you find that probably over half of the kids coming in under the new functional assessment, again, are the kids with the mental disorders and the behavioral disorders?

Ms. ROSS. Yes.

Ms. WEAVER. I have a feeling that it is a serious problem, but I am equally concerned about the mental impairment regulations generally and the whole way evidence is being handled in the mental impairment area where you have friends, teachers, classmates, family members, local post office officials testifying on the condition

of an individual. We have lost that third-party impartial evidence required to make an objective determination.

So I think it is more complicated. But I am unaware of any data to be able to give you a good, solid answer on that.

Mr. McCRERY. I appreciate the complexity of the problem and the difficulty in dealing with it. But you both testified basically that we should not allow this program to go on as it is. And what I am asking you for is some concrete ways to change the program. And you are failing to give me any—

I mean, I will just ask you plainly: Should we not do away with the IFA and look at the mental impairments listing as a better way to screen qualified children for SSI disability?

Ms. WEAVER. I feel better when I know precisely what kind of kids are coming on and not coming on. But it would not trouble me at all to go back to the system that prevailed from 1972 to 1990. We apparently lived with that just fine with 200,000 or 300,000 kids coming on a year. We seem to have lots of concerns now with nearly 1 million kids on the rolls.

I think there is a confounding problem, though. Other things are going on that are affecting the Social Security Disability Programs, too. I hope you get the significant effects you expect. But rapid growth will continue because of these other factors affecting mental impairment allowances. Nothing would preclude you from going back and reassessing or trying to give the agency some more guidance about how to create some new tests of course.

Mr. McCRERY. I understand there might be more problems, but—

Ms. WEAVER. I wanted to continue to say that I certainly didn't have anything to say about children's benefits. I very clearly stated that children's benefits are inappropriate as currently designed. I think it is quite remarkable that a poor family on AFDC can double its income by getting one child on SSI and triple its income by getting two kids on SSI. I am just very surprised that this situation has been allowed to prevail.

Mr. McCRERY [presiding]. Thank you. We have a vote on, but Mr. Ford says he will take about 2 minutes.

Mr. FORD. Are you going to be recognized for questions?

Ms. DUNN. I am afraid we will lose them. I would like to.

Mr. McCRERY. We are going to recess for a few minutes. Why don't we do that now?

Mr. FORD. Why don't we do that?

Mr. McCRERY. The Committee will be in recess for about 10 minutes. We will be right back.

[Recess.]

Mr. McCRERY. I would like to resume my questioning of the witnesses and perhaps elicit some more information.

I am hesitant to pursue the earlier line of questioning with respect to the IFA because you don't seem ready to give me any clear guidelines on that. But let me try from a different direction.

Do you think the current criteria for qualifying children for SSI disability are adequate or appropriate? Either of you.

Ms. WEAVER. Over the break we were chitchatting, and one thing that came to mind, as a partial answer to you, is that I don't know why a standard constructed by the Supreme Court would be a good

standard of disability to use for children. So I would amend my earlier statement to say that it makes perfect sense to repeal that current test.

Mr. MCCRERY. A definitive statement. Thank you.

Ms. WEAVER. And certainly it can be subject to further consideration down the line if it seems appropriate.

Mr. MCCRERY. Yes. My thought is, at the least, we ought to do away with the, as you put it, the Supreme Court-created criteria, the IFA, and revert to the mental impairments listings, with an eye toward maybe even modifying those to correct the potential for abuse as a result of the rewriting of those regs back in, I think, 1989 or 1990, prior to the *Zebley* decision. And then, in an oversight capacity, to continue to monitor that and perhaps even use the commission that was set up last year to look at that in an oversight capacity and give us some suggestions on further refinement of those.

Mr. Chairman, I am glad you are back. And Mr. Ford actually was the next one to inquire, but I was taking advantage of being the only one here. So thank you.

Chairman SHAW [presiding]. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Dr. Weaver, you mentioned, in the second paragraph of your statement, something I want to just correct.

I appreciate, number one, your commending the Committee for wanting to tackle this problem. I certainly applaud the Republican side of the aisle for their tireless efforts in moving in this area. I was Chairman of the Committee along with another Chairman of the Subcommittee that brought this to the forefront of the Congress. And it was, if anything, a joint effort. But I certainly don't want to——

Ms. WEAVER. I will amend that.

Mr. FORD. I am going to amend it on the Committee, to not let it go on the record that it was brought from one side of the aisle.

What I would also like to raise are one or two questions. And, being very brief, you really want us to just eliminate SSI. You don't think the Supplemental Security Income Program is a good program at all, is in essence what I hear you——

Ms. WEAVER. I think that is a serious misreading of my written statement.

Mr. FORD. You are saying we ought to take the SSI Program and block grant it.

Ms. WEAVER. I do not say you should block grant the program.

Mr. FORD. Are you saying we should take the cash benefits from children and provide only the health benefits under the Medicaid Program?

Ms. WEAVER. I do not say that either. I very explicitly say that it makes no sense to provide duplicative Federal spending. And I think all of us would agree on that. And, therefore, the only relevant question is whether there are added expenses to a disabled child that are not met by other Federal programs. And I have suggested spending Federal money on those other unmet expenses.

Mr. FORD. And what do you do about the cash benefit? What do you recommend with the cash benefits of SSI?

Ms. WEAVER. Turn it into a voucher that is spent on the extra unmet needs, for example.

Mr. FORD. And, under that voucher system—what happens? The recipient receives the voucher. Is that a cash voucher or can some parts of it be converted to cash?

Ms. WEAVER. It is a voucher that could be used for a predetermined set of things related to added expenses you all believe are necessary and appropriate expenses for raising disabled children. Or I have heard discussions of running something through the Medicaid Program which would be a similar approach.

The idea would not be to cut off legitimate expenses. There are added expenses, extraordinary expenses for certain children.

Mr. FORD. What about the expenses of food and shelter? What I am trying to get to with this voucher that you suggest, you say that no block granting for SSI at all and turn it into a voucher plan. But how will we provide for the food and shelter in many of these cases that might not be listed and itemized as some of the things that disabled children would need?

Ms. WEAVER. A poor child—a poor child would be eligible for AFDC.

Mr. FORD. All of those children would be poor. It is a means-tested program we are talking about for children.

Ms. WEAVER. And so I am confused about what it is—

Mr. FORD. You are saying turn it into a voucher plan. Will you be able to receive any portion of this grant from SSI for food and shelter?

Ms. WEAVER. In a family where no one else is eligible for public assistance.

Mr. FORD. In a family—let's assume for 1 minute that one child, this particular child under the means-tested program, would be eligible for the \$400-some per month, and I want to convert that into a voucher. Could parts of that or any of that be used for food and shelter?

Ms. WEAVER. I hadn't even thought about that. If you have a poor family where—

Mr. FORD. A working mother with one child that is disabled—

Ms. WEAVER. It is just easier for me to think through it as a poor family. Of course, we would want a share of that to go to food and basic support.

Mr. FORD. But would only a certain portion of it be earmarked? A mother who is working and making slightly above minimum wages would qualify under the means-testing program. Maybe two children in the family, one with severe disabilities, would qualify for the SSI benefits through the means-tested program. And under the voucher plan that you suggest, would that mother be able to use any portion of that voucher in cash for food and shelter for that child?

Ms. WEAVER. I would think that you may be able to key off the AFDC payment in that State to find out what an appropriate amount of money for basic needs in a poor family is.

Mr. FORD. You are saying, rather than SSI, see whether you could key off on the AFDC?

Ms. WEAVER. That is just a way of determining basic needs. That is what the AFDC payment is there to try to meet.



Mr. FORD. SSI, we have a national standard. And, naturally, we do not have national standards within the AFDC Program. And children with disabilities in many cases, families, as we have heard from a mother today who has testified, their disabilities are a lot more severe, and the costs for caring for those kids are a lot more expensive than it would be maybe for kids in the welfare population that would not have those disabilities.

My time is up, Mr. Chairman.

Chairman SHAW. Ms. Dunn will inquire.

Ms. DUNN. Thank you, Mr. Chairman.

Thank you, panel, for waiting through this period of time and through the vote.

Dr. Weaver, I would like you to switch your thinking back to a point that you mentioned in your testimony and give me, as a new Member of this Committee, some background on the rationale behind drug addicts and alcoholics being awarded cash payments for SSI. This is the most outrageous thing I hear in my townhall meetings these days. They would like to know the answer. And I would like to have more information on the thinking behind this. And what would happen if we decided we wanted to change that portion of SSI?

Ms. WEAVER. I am going to have to defer to Jane Ross from GAO on the legislative history back in 1972. I would mention, though, that the group that we tend to hear about, the drug addicts and alcoholics that people are talking about terminating payments to, I suspect is a relatively small group whose primary diagnosis is addiction.

There is another group which includes people who have, say, a drug addiction or alcoholism that has contributed to another severe disability like severe organ damage or mental illness or whose drug addiction and alcoholism is secondary to their primary diagnosis.

Most proposals do not deal with these latter categories but only with that primary diagnosis category. I just raise this as a clarifying point, that many people who are drug addicts and alcoholics would remain on the rolls, even if you curtail payments to some.

I have not studied the legislative history.

Ms. ROSS. I am aware that the standard at the beginning of the SSI Program was much more restrictive and usually required some additional complications and was loosened over time. I am not trying to justify, I am just simply explaining that at some point when the mental listings were expanded it became possible to just have this drug addiction as the basis for your eligibility.

Ms. DUNN. As objective observers of this system, don't you think the correct thing for us to do would be to limit cash payments to people whose primary diagnosis is alcoholism or drug addiction?

Ms. WEAVER. It would make sense to limit payments, yes.

Ms. ROSS. I have a little information about what the characteristics of some of these people are, which you might want to be aware of.

There was a study that SSA did in the mideighties about who the substance abusers are, and they tend to have been abusers for many years before they joined the program—half of them over 10 years. Most of them don't have even a high school education, and most of them tend to be in their late forties or early fifties.

And I think whether or not you decide that a cash payment is appropriate, you have to be realistic about the chances that these people can either be rehabilitated or can return to work because of this situation in which they come to the program.

Ms. DUNN. Thank you. I certainly think that they should be taken off SSI, and I think the people in my district who are paying taxes are learning that there are primarily diagnosed folks who are addicts and alcoholics, and that does not make them happier about our system.

Let me switch to another topic, the topic of legal aliens. I was concerned in your testimony, Dr. Weaver, from the charts you presented, at the increase in the number of legal aliens receiving SSI. What do you think we ought to do about this?

Ms. WEAVER. I do not have a recommendation on aliens. That is really an observation about what is going on in terms of the rapid growth of the benefit rolls and likely implications for future costs.

Ms. DUNN. Do you have any thoughts on our proposal in the Contract With America, our welfare proposal that would take legal aliens off the welfare rolls?

Ms. WEAVER. I am a public policy research analyst, and I have never studied immigration, so I really hesitate to say. I could give you my personal opinion, but I don't think that would be particularly helpful to you.

Ms. DUNN. I think the point that I do want to make, even though I would like to hear your personal opinion——

Ms. WEAVER. Privately.

Ms. DUNN [continuing]. Is that it is important for us to realize how much the cost to each taxpayer has increased because of the benefits that we award to legal aliens. They certainly should have the right to come into this country under our legal systems but should not have the right to expect that they will be supported by welfare once they get here, particularly when the folks who are their guarantors supposedly took responsibility for them.

Thank you.

Chairman SHAW. Ms. Ross, in your written testimony you point out that between 1982 and 1993 the portion of immigrants receiving SSI grew from 3 percent of all SSI recipients to over 11 percent.

I believe also that statistics will show that the number of immigrants during that same period of time entering into the SSI system grew by approximately 400 percent, where the rest of the population I think grew about 16 percent, or certainly a lot less than that.

With 11 percent of the recipients now receiving SSI being legal immigrants, what percentage of the total population, if you know, are legal immigrants, to get some sense of proportion here?

Ms. ROSS. I am not sure of the precise number, but I do know that it is less than the proportion that are——

Chairman SHAW. It is less than 11 percent. Do you have any idea how much less it is?

If you do have that information, and I am sure it is available through the General Accounting Office, if you would supply it for the record, that would be helpful.

[The following was subsequently received:]

The Urban Institute presented some estimates of the foreign-born population in a 1994 report (See Michael Fix and Jeffrey S. Passel, *Immigration and Immigrants: Setting the Record Straight* (Washington, DC: The Urban Institute, 1994), pp. 19–22, 34, and 63–67.) From these estimates, we compute that in 1990, there were roughly 10.7 million noncitizens lawfully residing in the United States, including 1.1 million refugees and asylees. Given the 1990 U.S. population of 250 million, legal noncitizen residents comprised 4.3 percent of the total. (Another 6.5 million were naturalized citizens; we do not have data on the number of naturalized citizens receiving SSI.)

However, comparisons with the SSI data may be misleading because the SSI data do not reflect their current immigrant status, only their status at the time they applied for benefits. So the 11 percent of SSI recipients who were noncitizens when they applied may include some who have since become citizens.

Chairman SHAW. How do you account for that tremendous increase in such a short period of time?

Ms. ROSS. Well, I can't say anything that is absolutely definitive, but a couple of things are suggestive.

One is this sponsorship issue that is the instance where it wasn't clear that the person had enough personal resources or didn't have a job on his or her own so someone sponsors them and says they will be responsible for them for 3 years and now in essence for 5 years.

There seems to be such a large number of people who come onto the rolls immediately after that period is over that it is worrisome that sponsorship is being gamed—you just take responsibility for the people for a limited period and then when the law says it is over people appear on the rolls. Since they said 25 percent of the people entering on the rolls came 1 year after they ended their sponsorship period, it sounds like a lot of people are aware of that. So that is a possible abuse.

There is another part of this sponsorship issue, and that is courts have found that the sponsorship agreements—affidavits of support—aren't legally binding. So even during that period there is a problem. And we have, at your request, asked someone in our General Counsel's Office to look into this issue, and I would be glad—I am not a lawyer so I don't feel very comfortable explaining what our General Counsel's Office found—but I would be glad to provide that for the record.

[The following was subsequently received:]

Some legal immigrants are admitted to the country under the financial sponsorship of a U.S. resident. The Immigration and Nationality Act of 1952, as amended, provides for denying permanent resident status to noncitizens who are likely to become public charges. Noncitizens can demonstrate they will be self-sufficient in several ways, including getting a financial sponsor. Sponsors sign an affidavit of support assuring the U.S. Government that the immigrant will not become a public charge and in which they state they are willing and able to provide financial assistance to the immigrant for 3 years. Refugees and asylees do not need to demonstrate they will be self-sufficient to reside in the United States.

However, several courts have ruled that these affidavits of support are not legally binding. These courts found that the affidavit is but a mere promise, a moral obligation, not enforceable in a court of law. One court concluded that an affidavit was not legally binding because the parties did not intend to enter into an enforceable contract. It relied on evidence that: The writing is termed an "affidavit" not a contract; the affidavit is signed only by the sponsor; the sponsor receives no legal consideration for his promise of support; the nature and extent of the sponsor's obligation is not clearly expressed; and the alien is not a party to the affidavit.

SSI's "deeming" provisions, which apply only to immigrants with financial sponsors, attempt to reinforce immigration policy. In determining financial eligibility and benefit levels, SSA deems a portion of a sponsor's resources to be available to the immigrant. This provision applies regardless of whether a sponsor is actually pro-

viding financial support. This provision currently applies for 5 years from the immigrant's entry into the United States. (The Congress temporarily extended SSI's deeming period from 3 to 5 years from January 1994 through September 1996. However, in the affidavits of support, sponsors only say they are willing to provide support for 3 years.)

Ms. ROSS. Then the third piece that we can't document in terms of numbers but which is, again, worrisome is that there are people, immigrants who apply for disability benefits who come bringing a middleman or an interpreter of their own, and they attempt to commit fraud.

This is most likely to happen with languages that aren't common, so that the Social Security office doesn't have anybody who can themselves interpret that language.

Chairman SHAW. It even appears that this is so organized that much of that starts in the country of origin before they even get here with regard to gaming the system and the fraud that is in there. It appears that actually this is a form of organized crime with the fraud being perpetrated on the Federal Government through fraudulent translators and other people who are fully aware of the right things to say with the applicant sitting there and muttering some words that the counselor doesn't even understand himself or herself.

I have talked to the administration, and I have talked to the Judiciary Committee. You are absolutely correct that the affidavits do not appear to be enforceable, and I think the courts have said so.

The Immigration Subcommittee is looking into this in order to try to correct that and make it a binding contract. In talking with a member of the administration yesterday, it was indicated to me that the Judiciary Committee would have the full support of the administration in trying to plug that loophole, which makes absolutely no sense.

If there aren't any more questions—

Mr. FORD. Mr. Chairman, I have just one final question for Dr. Weaver.

Dr. Weaver is a scholar with the American Institute—Enterprise Institute. What type of institute is the American Enterprise Institute? Is it a think tank organization?

Ms. WEAVER. Yes.

Mr. FORD. Is it part of the Federal Government or a Federal agency?

Ms. WEAVER. It is an entirely private public policy institute in Washington like the Brookings Institute.

Mr. FORD. It is like the Brookings Institute?

Ms. WEAVER. Yes.

Mr. FORD. Let me ask you, Dr. Weaver, in light of all these position papers, have you or the American Enterprise Institute—have you all experimented with any of these positions that you have taken, like the voucher plan? I notice that when Social Security toyed with the voucher thought and ideas they wrote up a page and a half of questions that they couldn't answer themselves, like several questions that you have not been able to respond to, and said, we better put that in the thought pattern. Have you really tried to experiment with any of these position papers?

Ms. WEAVER. With regard to that specific suggestion about converting to a voucher, I have not experimented with it.

Mr. FORD. Thank you, ma'am.

Mr. LEVIN. Mr. Chairman, could I just ask a question, just one quickie? I am sorry. I was in another hearing so I missed the testimony, the oral testimony.

Let me just ask, in light of trying to get at the serious flaws, if we were to abolish SSI payments to addicts, what would the impact be on eligibility for Medicaid payments, whether you think there is any problem there? They are linked, today, to some extent.

Ms. ROSS. I am not sure I understand your question. Would you expand on it a little?

Mr. LEVIN. SSI is linked to eligibility for Medicaid. You eliminate SSI and it will have some impact on Medicaid eligibility. So have you any thought, if we abolish payments to addicts, what might happen in terms of the impact on Medicaid eligibility and whether that is a plus or a minus?

Ms. ROSS. Are you talking specifically about the drug addicts and alcoholics?

Mr. LEVIN. Yes.

Ms. ROSS. Well, I am not still sure how to answer your question. I didn't propose anything like abolishing benefits for that group. But if—

Mr. LEVIN. So you don't—I am not sure, then. What is your suggestion in that area, if it isn't abolition?

Ms. ROSS. We did work last year prior to the time the law changed, and we said two things. One was that the representative payee requirement ought to be tightened, and it ought to be expanded beyond the group that is called just strictly drug addicts and alcoholics in the SSI Program; and that anybody who has a substance abuse problem who is on either SSI or DI ought to have a representative payee taking care of their money. And we further said we thought all of those people ought to be in treatment.

Those were the two pieces that GAO talked about last year. And some of that has been done, not all of it. So that would be about where we would still be.

Mr. LEVIN. So, Dr. Weaver, let me ask you, because I think you favor the abolition—

Ms. WEAVER. I did not present a position on abolishing payments to addicts and alcoholics.

Mr. LEVIN. So—I am sorry. I missed the back and forth, being at other hearings. So your suggested remedy to a program—

Ms. WEAVER. If I could clarify one thing to you, gentlemen. I was asked to appear before the Subcommittee to provide a background on the program—what are the sources of growth and what are the various issues. I was specifically not asked to make recommendations. And now I am being pressed and pressed to do so. I am happy to do so when I am comfortable doing so, but I don't want to be put in a position of looking like I came unprepared for this hearing. I came prepared to do what I was asked to do.

Now, I think it is a perfectly legitimate question: What about Medicaid. That is something you all have to deal with. Will Medicaid continue for addicts and alcoholics if you terminate cash or will it not?

Mr. LEVIN. So the implications of your testimony in terms of remedy—clearly, there are serious problems. So what do you think are the implications of your analysis for what we should do?

Ms. WEAVER. I think the provision is seriously flawed as it was created for a lot of technical reasons.

Mr. LEVIN. Right. And as to what we should do, the implications of your testimony. You want to help us. What should we do—

Ms. WEAVER. I think at this point I would prefer not to address that issue.

Mr. LEVIN. Thank you.

Chairman SHAW. Does that conclude your questioning? Thank you.

Thank you, Dr. Weaver and Ms. Ross. Thank you very much for being with us this afternoon and your most enlightening testimony.

For the next panel, if they would come forward and take their place at the table: Dan Stein, who is executive director, the Federation for American Immigration Reform, located here in Washington, DC; Stephen Moore, who is director of fiscal policy studies, the Cato Institute, Washington, DC; and Lawrence Fuchs, professor, Brandeis University, Waltham, Massachusetts.

Mr. Stein.

**STATEMENT OF DAN STEIN, EXECUTIVE DIRECTOR,  
FEDERATION FOR AMERICAN IMMIGRATION REFORM,  
WASHINGTON, DC**

Mr. STEIN. Thank you very much, Mr. Chairman.

I am executive director for the Federation for American Immigration Reform. FAIR is a national public interest membership organization working to end illegal immigration and implement a general moratorium on most legal immigration, such as has been suggested by Chairman Stump in H.R. 373. With 70,000 members in all 50 States, FAIR is now the Nation's leading organization working for tighter immigration laws.

Mr. Chairman, we want to congratulate you on your new appointment as Chairman of the Committee. We appreciate your important leadership over the past decade and help in working for more realistic and enforceable immigration laws. We are grateful for the leadership that you and Chairman Archer are providing in advancing important proposals contained in the Contract With America that have led to this hearing today.

Mr. Chairman, we believe that the proposals contained in H.R. 4 as they relate to legal aliens and illegal aliens go to the very heart of the last election's results. Nowhere is the phenomenon of unfunded mandates more evident than in the costs and burdens of immigration on the State and local taxpayers.

Summarizing my recommendation, we believe it is perfectly appropriate for Congress to condition the receipt of most public benefits on the acquisition of citizenship, or for bona fide temporary refugees or certain long-term alien residents in exceptional cases.

As a general matter, though, conditioning benefits on the acquisition of citizenship will encourage naturalization and help reduce the incentive to create an ever-growing class of "permanent" permanent resident aliens in our midst. This is sound public policy. It strengthens the civic fabric.

We also support a rewrite of the public charge bar to make it more enforceable in deportation proceedings and changing the sponsorship provisions to render them enforceable against the petitioning sponsors, as was mentioned earlier.

We also support the provisions in section 402 of H.R. 4 to require State AFDC agencies to provide information on illegal aliens to the Federal INS.

We would also like to see an immigration service capable of using such information effectively, but that is beyond the purview of this particular bill.

Mr. Chairman, it has been the policy of the United States since before the turn of the century to deny admission to aliens who are, "likely to become public charges." This policy reflects an overriding interest in the general public to ensure that, if we admit people as immigrants, we want to ensure they are capable of earning a living and pulling their own weight.

Taxpayers do not want to pay for immigration, legal or illegal. Public support for immigration is generally premised on the idea that our immigration program benefits the United States unconditionally and is effectively cost free. As this is no longer the case, public support for immigration is rapidly eroding. In light of this trend, it is important to take 1 minute to review a few principles.

In my testimony, I review the fact that starting with 1908, when the INS began recording deportations based on the public charge bar and particularly through 1930, the INS deported about 20,000 aliens as public charges. During this period, any financial need of the immigrant was absorbed by the immediate family or private charity; and it was never contemplated that recent immigrants would be permitted to bring elderly relatives and place them on publicly supported welfare programs.

The immigrant contract with America is an old one. It holds that we provide an opportunity for a person to come here and begin anew, leave behind attachments in the old country, forge ahead in the spirit of American enterprise and drive. The contract held that you should join the polity by renouncing your old political allegiance and join a new one; that you should become a citizen and learn the political philosophy and history underlying our founding documents and institutions. You could come as long as you could contribute, and the contract held that an immigrant was expected to naturalize or become a citizen within a reasonable period after being eligible to do so.

As I shall explain briefly further today, immigrants, parolees, putative asylees and those currently pending an adjudication and even, in some cases, wholly illegal resident aliens are eligible for many forms of welfare.

Immigrants enter the country today already planning to bring elderly relatives and extended family, many of whom have no obvious means of support or may require some kind of public anti-poverty relief. Married siblings and in time uncles and aunts are permitted to join. As a result, the 1990 census clearly shows welfare use is increasing among immigrants as skills, education and income levels all decline.

In my written testimony, I explain where in the course of this century the public charge bar was struck down as a dead letter—

virtually unenforceable; and through judicial decree where the sponsorship pledge provisions became effectively unenforceable.

I would also like to alert your attention to the fact that the block grant alternative proposal may have constitutional problems if such a scheme is delegated in a way that enables the States to administer alien resident eligibility requirements in a manner that is at variance with the Federal classification scheme.

Our basic recommendations are as follows:

The provisions of H.R. 4 relating to alien eligibility for welfare are critical to restoring the proper balance between immigrant rights and responsibilities. It is not enough for an immigrant to have paid taxes. It is not enough to have not paid taxes. By that standard, many immigrants could be deported on their negative tax liability alone.

We should recall that immigration is a first step on the road to citizenship. Conditioning alien eligibility for welfare programs on the acquisition of citizenship is both good policy and sound civics. It ties the community together and furthers the community's interest in seeing that an immigrant joins the national community.

Second, barring welfare eligibility for aliens is also consistent with restoring the policy consensus that immigrants may not come if they are going to cost the taxpayers money. Immigrants should pay their own way. No Federal or State taxpayer should have to pay a dime for immigration. Affirmative immigration, by which I mean a national program that admits immigrants solely because those individuals want to come to live—as opposed to, say, emergent humanitarian or lifesaving missions—is optional for the American people, and they will not support programs that produce severe financial stress on local or State taxpayers or even the Federal Treasury.

Welfare programs are an incentive to attract immigrants without skills or literacy to the United States. Making these programs available without enforceable sponsorship pledges or public charge bars simply invites an influx of those immigrants who have the most to gain by moving to a country with a generous social safety net.

Last, and concluding, we would like to expand the definition of public charge to amend sections 212(a)(4) and 241(a)(5) of the INA to ensure that public charge deportation and exclusion are available for those aliens who are likely to use, or do use, Federal, State or municipal means-tested public assistance, including non-emergency medical care, food, housing assistance and other such programs. The test for aliens who have entered, and are therefore subject to deportation, should be means-tested public assistance for at least 180 days within 5 years of the date of entry.

Mr. COLLINS [presiding]. Mr. Stein, in the interest of time, we will be putting your full statement in the record. Could you briefly, in 2 seconds or less, summarize?

Mr. STEIN. Thank you very much, Mr. Chairman.

[The prepared statement follows:]



**TESTIMONY OF DAN STEIN  
FEDERATION FOR AMERICAN IMMIGRATION REFORM**

Mr Chairman, and Members of the Committee, my name is Dan Stein, and I am the executive director for the Federation for American Immigration Reform, or FAIR. FAIR is a national public interest membership organization working to end illegal immigration and implement a general moratorium on most legal immigration (such as that suggested in H.R. 373, introduced by Chairman Bob Stump). We support an immigration policy that serves the American people and our interests as a Nation. With 70,000 members in all 50 states, FAIR has become the leading organization in America working for tighter immigration laws.

Mr. Chairman, we congratulate you on your new committee chairmanship, and want you to know how much we appreciate your important leadership today and over the past decade and a half in working for more realistic and enforceable immigration laws. We are grateful for the leadership that you and Chairman Archer are providing in advancing the important proposals in the "Contract With America" that have led us to this hearing today.

We believe that these proposals go to the very heart of the last election's results. Nowhere is the phenomenon of unfunded mandates more pronounced than in the costs and burdens of immigration on the state and local taxpayer. As Michael D. Weiss, a professor of law at the University of Houston, recently observed:

The federal government has retained exclusive jurisdiction over immigration, deportation, customs, and international relations. It is, however, insulated from the results of its failure because most of the social programs that illegal (and I would add legal - ds) immigrants place demand on, such as schools, welfare, jails, public hospitals, and emergency medical care, are financed at the state, county, or city level. With the burden of failure shifted onto the governments and taxpayers of the states (and disproportionately shifted to the six "frontline" states of Texas, Florida, Illinois, New York, New Jersey and California, which host over three-quarters of recent immigrants, both legal and illegal), the federal bureaucracy has little incentive to effectively control the border.

The public has questioned how long we can afford to provide public benefits to immigrants — guests of the nation, if you will — when we ourselves, the citizens who built this great nation, have to absorb the rapid decline in all forms of public investment, capital plant improvement and basic social services. It is a question of fundamental fairness.

**Summary recommendations:** We believe it is perfectly appropriate for Congress to condition the receipt of most public benefits for citizens, *bona fide* temporary refugees, or certain long-term alien residents.

Conditioning benefits on the acquisition of citizenship, however, will encourage naturalization and help reduce the incentive to create an ever-growing class of "permanent" permanent resident aliens in our midst. This is sound public policy, and strengthens the civic fabric. We also support a rewrite of the public charge bar to make it more enforceable in deportation proceedings, and changing the sponsorship provisions to render them enforceable against the petitioning sponsors. We also support the provisions Section 402 of H.R. 4, to require state AFDC agencies to provide information on illegal aliens to the Federal INS. (We would also like to see an INS that was capable of using such information effectively, although that is beyond the purview of this bill.)

### **Consistent with past policies**

Mr. Chairman, it has been the policy of the United States since before the turn of the century to deny admission to aliens who are "likely to become public charges." This policy reflects an overriding interest in the general public to insure that if we are to admit people here as immigrants, we want to insure that they are capable of earning a living and pulling their own weight. Taxpayers do not want to pay for immigration, legal or illegal. Public support for immigration is generally premised on the idea that our immigration program benefits the U.S. unconditionally and is effectively cost-free. As this is no longer the case, public support for immigration is eroding rapidly. In light of this trend, it is important to take a moment and revisit a couple of first principles.

Mr. Chairman, the Immigration and Naturalization Service, or INS, has been reporting deportation statistics since 1908. Back then, the INS was deporting public charge aliens in an aggressive manner. Between 1911 and 1930, the INS deported approximately 20,000 aliens as public charges.<sup>1</sup> During this period, any financial need of the immigrant was absorbed by the immediate family or private charity. It was never contemplated that recent immigrants would be permitted to bring elderly relatives and place them on publicly-supported welfare programs. The "Immigrant Contract with America" is an old one: It holds that we provide an opportunity for a person to come here and begin anew; to leave

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<sup>1</sup>INS Statistical Yearbook, 1992.

behind attachments to the old country, and forge ahead in the spirit of American enterprise and drive. This contract held that you should join the polity by renouncing your old political allegiance, and joining a new one; that you should become a citizen and learn of the political philosophy and history underlying our founding political documents and institutions. It held that you could come, so long as you could contribute. And it held that an immigrant is expected to naturalize within a reasonable period after being eligible to do so.

As I shall explain further below, today, immigrants, parolees, putative Asylees who have merely made application, those currently pending an adjudication and even, in some cases, illegal aliens, are eligible for many forms of welfare.

Immigrants enter our country already planning to bring elderly relatives and extended family, many of whom have no means of support or require public anti-poverty relief. Married siblings, and, in time, needy uncles and aunts are permitted to join. As a result, the 1990 census shows that welfare use is increasing among immigrants, as skills, education and income levels all decline.

This is not the immigrant contract that the American people signed. It is not a fair deal for the taxpayer, and it is not one the people can and will continue to support.

The immigrant contract was turned on its head by three factors: 1) the effective elimination of the public charge bar as an independent basis for deportation, section 241(a)(5) or 8 U.S.C. 1251(a)(5); 2) the rendering of sponsorship pledges as meaningless and unenforceable; and 3) the explosion of "great society" entitlements that altered entirely the financial implications of immigration for taxpayers and the incentives for the migrants themselves.

The State Department also has responsibility for enforcing the public charge bar, as well. Here the law still has some meaning, INA section 212(a)(3)(e). Whenever, in the opinion of a counselor officer at the time the alien applies for a visa, or in the opinion of the immigration officer — under the attorney general's delegation — at the time the alien applies for

admission, the alien is likely to become a public charge after entry, that alien may be denied a visa and denied entry.

The Department of State continues to enforce this law with some zeal. In all cases where a visa must be obtained overseas, the consular officer can, and does deny visas based on the public charge provision. From 1990 to 1994, the state department refused visas to 68,521 aliens on this basis. While some overcome the bar based on sponsorship pledges or newly-presented evidence of income, most do not. Millions more "nonimmigrant" or tourist visas are also denied overseas each year by the state department.

### **Where the Breakdown Occurred** **"Public charge" becomes a dead letter** **"Sponsorship pledges" are worthless**

Mr. Chairman, the public charge provision is no longer used to deport aliens. Unlike the turn of the last century, when tens of thousands of aliens were excluded at the border because of a likelihood of becoming a public charge, and **tens of thousands of aliens were deported for having become a public charge after entry;**<sup>2</sup> today the INS has virtually stopped collecting statistics on public charge deportations. The handful actually deported from 1981 to 1989 demonstrates that in deportation hearings, public charge has become nearly a dead letter in INS proceedings.

In addition, nearly all classifications of aliens (other than illegal and certain temporary or "nonimmigrant" categories") are eligible for a full range of federally-supported entitlements. Most of the alien classifications were created as a result of the administrative overburdening of the INS they fell into the huge catchbasin of INS administrative delay. This catchbasin is known as the alien "permanently residing under color of law," or PRUCOL.<sup>3</sup> PRUCOL aliens were established under a series of administrative decisions and judicial settlements entered into since 1978; most are the byproduct of

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<sup>2</sup>See, Immigration Briefings, No. 91-11 (November 1991).

<sup>3</sup>See, Stein & Zanowic, *Permanently Residing Under Color of Law: The Opening Door to Entitlement Eligibility*, 1 Geo.Imm.L.J. 231 (1986). Categories include Deferred Enforced Departure, applicants for Suspension of Deportation, applicant for asylum, parolee, and many others. Work authorization is usually included pending the adjudication.

either 1) the inability of the INS to remove aliens quickly, or 2) the inability of states to ascertain with accuracy who is an alien, and who is not, and if an alien, then what kind of "lawful alien" that person is (there are limitless varieties). This last problem is the fault of the federal Department of Justice: It lacks the capacity to offer state agencies reliable verification of citizenship or alien status or identity.

The inability of states to determine who is an alien and who is not, or to verify with federal government assistance the alienage classification asserted by the claimant, is a major loophole thwarting efforts to remove ineligible aliens from federal/state entitlement schemes. Any effort to restore the public charge to enforceability or to bar legal and illegal aliens from various benefits must also address the abysmal documentary situation prevailing in the United States today.

### **Why are Public Charge and Sponsor's Pledges Unenforceable?**

The public charge provision was effectively gutted over several years. In 1944, the Board of Immigration Appeals in *Matter of V--*, 2 I&N 78 (March 25, 1944), established a three tier test for public charge determinations in deportation cases: (1) The state or other public entity must *legally* obligate the recipient of a public benefit (including a binding promise to repay); (2) the state or other entity must make a formal claim against the recipient; and (3) the recipient must fail or refuse to repay, and any sponsor or third party must refuse to repay.

Not surprisingly, such formal requirements soon rendered the public charge a dead letter. Very few public entities even have the legal authority to make a legally binding obligation for repayment in these circumstances.

The sponsors could be held liable until the 1970s, when several courts ruled that sponsors of immigrants have no legal obligation to repay. The courts transformed the sponsorship pledge into a *moral* obligation to provide assistance, a regrettably ineffective method of collecting on the pledge.

But despite the court rulings gutting the meaning of the sponsorship pledge, the State Department and the INS have continued to require these unenforceable "affidavits of support" from putative sponsors as the basis for waiving routinely the public charge bar.

Between the unenforceability of the public charge bar, and the ineffectiveness of the sponsorship pledge, the INS has effectively stopped trying to deport aliens on that basis. Despite the law's appearance on the statute books, and the insistence of some immigration activists that this law constitutes some protection to the American taxpayer, the bottom line is that the entire process is out of control. Ultimately, it can only be solved through a revamping of our entire documentary identification scheme: a standardization of state birth records and electronically-verifiable immigration documents accessible by state agencies.

The emergence in the mid-1960's of the "Great Society" programs rendered the concept of "public charge" somewhat antiquated. The assumption by the Federal Government of a range of new authority to administer national health and welfare programs meant that all Americans would increase their chances of drawing on the public treasury at some point in their lives.

Supreme Court cases such as *Graham v. Richardson*, 403 U.S. 365 (1971) (striking down a state's ability to determine which aliens may receive benefits and which may not, based on the Fourteenth Amendment's Equal Protection Clause), and *Mathews v. Diaz*, 426 U.S. 67 (1976) (upholding Congress' plenary authority to deny benefits based on alienage classification), eliminated the states -- and their administering agencies -- as major players in determining alienage classification, eligibility and public charge liability.

**The Block Grant Scheme mentioned by Speaker Gingrich as an alternative:** As an aside, the existence of the Supreme Court authority in *Graham* raises the question whether Congress could delegate to the states the authority to decide which aliens may receive which benefits. Assuming states could actually make these determinations with any precision (something they could not now do without **much** more assistance from the INS and the states' vital

statistics bureaus), there may also be a constitutional cloud over the idea. Such a scheme would certainly be subject to constitutional challenge, particularly if the block grant concept permits the states to administer benefits in a way inconsistent with the Federal immigration classification scheme.

The bottom line is that the forces identified in this testimony have led to a situation unsustainable for the American taxpayers: aliens may enter the country legally and illegally, and in a full range of cases obtain benefits on par with (and even to the advantage of) U.S. citizens.<sup>4</sup>

### Recommendations: What do we do?

The situation calls for the following, at a minimum.

- I. The provisions of H.R. 4 relating to alien eligibility for welfare are critical to restoring the proper balance between immigrant rights and responsibilities. It is not enough for an immigrant to have paid taxes; by that standard, many immigrants could be deported on their negative tax liability alone.<sup>5</sup> Rather, we should recall that immigration is merely the first step on the road to citizenship, not a permanent "limbo" classification for aliens to remain in indefinitely. Conditioning alien eligibility for welfare programs on the acquisition of citizenship is both good policy and sound civics. It ties the community together, and furthers the communities interest in seeing immigrants join the national political community as full participating members.

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<sup>4</sup>For example, under the AFDC guidelines, a family with two "ineligible alien" wage earners and two U.S. Citizen children receive preferential treatment under the eligibility guidelines over a similar household of all U.S. Citizens. This is because the ineligible aliens are removed from the per capita debt load calculus that determines the families monthly payment amount. Another example was the proposal by the Clinton Entitlement Reform Task Force last year that would have required AFDC mothers to return to work after two years. The Task Force concluded that if the mother was present illegally, she could not be required to return to work. The reason? She is ineligible to work under Federal law.

<sup>5</sup>Nearly 70 percent of the aliens who received amnesty in 1986 lived in families so poor that they qualified for the Federal Earned Income Tax Credit. Source: INS Amnesty Data.

- II. **Barring welfare eligibility for aliens** is also consistent with restoring the concept that immigrants may not come if they are going to cost taxpayers money. Immigrants should pay their own way. No federal or state taxpayer should have to pay a dime for immigration. "Affirmative immigration," by which I mean a national program that admits immigrants solely because those individuals want to come to live (as opposed to emergent, humanitarian and life-saving admissions) are optional for the American people. They will not support immigration programs that produce severe financial distress on local and state taxpayers. Welfare programs are an incentive to attract immigrants without education, skills or literacy to move to the United States. Making these programs available without enforceable sponsorship pledges or public charge bars simply invites an influx of those immigrants who have the most gain by moving to a country with a generous social safety net.
  
- III. **We should expand the definition of "public charge."** We should amend Sections 212(a)(4) and 241(a)(5) of the INA to insure that public charge deportation and exclusion are available for those alien who are likely to use, or do use, Federal, state or municipal means-tested public assistance, including non-emergency medical care, food and housing assistance, or any other such program. The test for aliens who have entered, and are therefore subject to deportation, should be "means tested public assistance for at least 180 days within five years of the date of entry." Restoring value and meaning to the public charge definition will go a long way toward restoring public confidence in our immigration system.
  
- IV. **Restore the enforceability of sponsorship pledges.** The American people are uniformly in support of restoring meaning and enforceability to the affidavits of support. We suggest that INA section 212(a)(4) be amended to require that a bond be posted by a responsible sponsor whenever it appears likely that an alien may become a public charge. Further, a guarantee of financial responsibility should be enforceable by the Attorney General or the State or Federal agency that has provided the



assistance in any jurisdiction in which the sponsor or alien resides. If the sponsor fails to relieve the taxpayer of the debt obligations incurred on behalf of the sponsored alien, then the alien should be sent home.

Mr. Chairman, we believe that these changes are only the beginning of a long-term effort to restore public confidence in the ability of our immigration program to serve the public and national interest. On behalf of FAIR, I appreciate the opportunity to appear before you today, and we look forward to working with you on this issue now and in the future.

I would be happy to answer any questions you may have at this time.

Mr. COLLINS. Thank you, sir.

Next, Mr. Moore.

Mr. MOORE. Dr. Fuchs is going to go next.

Mr. FUCHS. I postponed getting a plane, and might have to do it again.

Mr. COLLINS. You go right ahead.

**STATEMENT OF LAWRENCE H. FUCHS, PROFESSOR, BRANDEIS UNIVERSITY, WALTHAM, MASSACHUSETTS**

Mr. FUCHS. Thank you, Mr. Chairman.

I am the Vice Chair of the U.S. Commission on Immigration Reform created by the Congress in 1990 in the Immigration Act. It consists of nine persons. The Chair, appointed by the President, is Barbara Jordan. The other members are chosen by the Congress: Four from the Senate, four from the House. Four Republicans, four Democratic leaders in those bodies chose the members.

It works in a completely nonpartisan fashion. These are people with long experience in this field of immigration law and policy. And, to this point, all of the recommendations we have made to you—and we are created by you and are a creature of you—have been unanimous.

We spend as much time or more on this issue of immigrant eligibility than on any other issue, and we looked at three basic options which face you today.

The first is to turn the matter over to the States and block grants as a way to go. We really felt—I will explain in 1 minute why that is really not an option—really, it is not a constitutionally permissible option.

The second is to categorically deny noncitizen legal permanent aliens the benefits. After long and hard work on that one, we decided against that.

The third, unanimously adopted by the congressionally appointed bipartisan Commission, is to make the affidavits of sponsors of immigrants enforceable for the period in which sponsor income has been deemed available to immigrants to keep them from becoming public charges. We believe that can be done. We are distressed at the lapse and the failure historically to have it done.

Now, with respect to the States, if you turn the responsibility over to the States with the expectation that each will find its own policy you really will create a serious constitutional problem.

The Supreme Court was unanimous in 1971 in *Graham v. Richardson* that any State law that distinguishes between permanent resident aliens and citizens with respect to public assistance is in clear violation of the 14th amendment's equal protection clause. That emphatic ruling was that it was impermissible for States for fiscal reasons to make welfare classifications based on legal alienage.

Possibly Congress can make constitutionally permissible what the States cannot do on their own. But that is far from certain. The Congress has plenary authority to act on its own for the Nation; but to delegate to the States is very dubious. If you read *Graham v. Richardson*, that was one of the major objections, that States would adopt different policies; and, therefore, they said that such a distinction was inherently invidious.

Whatever the constitutional disposition of a case might be under congressional authority, it would be, according to our view, bad policy for either the Congress or the States to make what the court called an invidious distinction.

We expect—we, as a Nation—that the vast majority of legal immigrants we admit to our country affirmatively, because we want to do that, have close members of family already here or because of a needed skill or other economic asset. If we don't agree with that, immigration committees and subcommittees—and we are studying on the Commission this question of numbers and categories intensely at the present time.

By the way, I say parenthetically here, obviously we are not addressing the larger issue here of fraud in the system or whether the system works well and so on. We are only addressing the narrow issue of the question of immigrant eligibility.

At any rate, we admit affirmatively immigrants. We make them pay taxes. We subject them to compulsory service in the armed forces.

By the way, I have to tell you that one man we have heard from who is the head of the paralyzed veterans chapter in Florida, the U.S. Paralyzed Veterans Association, who could not easily get naturalized because he is in a wheelchair—I know it is an anomalous case, but it happens often—in a wheelchair and could not get in the INS building.

At any rate, the children of immigrants provide us with a highly disproportionate number of valedictorians and prizewinners, and most legal aliens we know from our work are devoted to the goals of family responsibility.

The answer might be, let them become citizens. Not so easy. The average wait for an INS interview is now 7 to 10 months. In San Diego, an immigrant who applies for naturalization will be scheduled for an interview about 270 days later. Once approved, the wait to become naturalized varies greatly, more than 1 year in San Diego.

There are long lists everywhere for adults to be admitted to English language classes. In New York, the waiting list is often as long as a year, sometimes two. About 5 percent of those who take the exam fail, but many never get that far because they are afraid to.

In Chicago, we learned of a 70-year-old Polish woman who broke down in sobs when she failed the test for a second time. For many elders—and this is where the problem is with respect to SSI and numbers and money. For many elders, the humiliation of admitting that they may not remember or they are suffering some impairment or disability is a huge obstacle for applying for and taking the exam.

We don't want to say to that Polish woman or anybody, that if she should suddenly become disabled, public assistance is not for her because she is a legal immigrant. That was the situation for one of the plaintiffs in *Graham v. Richardson*.

We don't want to tell a 12-year-old orphan she must live on the streets—these are real cases—because as an immigrant she doesn't qualify under title IV of the Social Security Act. She would be in a real catch-22. She wouldn't qualify for help because she is a legal immigrant, but she can't naturalize because she is underage.

There are many instances of battered women who have come to our attention, permanent resident aliens, who, with their children, were saved—the AFDC may need drastic correction, but they were saved by being on AFDC and are now productive members of society.

Do we want to take SSI benefits away from legal immigrants, say a blind 70-year-old man who collects no retirement benefits?

Here is the problem. Over three-fourths of the elderly legal immigrants receiving SSI do not receive Social Security benefits, compared to one-third of the elderly native-born recipients. But we are not going to say to such persons: Go back to where you came from.

You may have seen the story Wednesday on the Westinghouse Prizewinners—this year, as always, a disproportional number were immigrants or the children of immigrants. They had one 15-year-old boy featured who is a brilliant young man who, if he had finished just out of the running, would not be eligible for scholarship help under the Higher Education Act—1965 act. What a loss to the rest of us.

So just as we should be clear in our policy against any broad categorical denial of public benefits to legal immigrants, however we revamp the system to make it less prone to fraud and to work more effectively to energize people to work, so we should be clear that sponsors are to be held financially responsible for the immigrants that they bring to this country during the deeming period.

The Commission staff is working very hard on this. We believe this can be done. We have made several recommendations already as to how to do it, and they are in our report of September. And we believe—

Mr. COLLINS. Excuse me. Can you summarize?

Mr. FUCHS. I am finished—a sharp distinction must be drawn between illegal residents and lawful permanent resident aliens who we have admitted in our national interest. We believe that is extremely important, that we make that distinction and make it consistent with our overall immigration policy.

So I hope that you will not rush into legislation that really I believe—this Commission believes, your Commission—you may almost certainly regret, legislation that might amount to a wounding not just to immigrants but families, communities, and especially the national interest of the United States of America.

So I thank you for listening to your Commission, and we will continue to do our work, and I volunteer the help of the staff, excellent staff, on these issues to work with your staffs so that we can do the very best we can do by our Nation and its national interest.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

**TESTIMONY OF LAWRENCE H. FUCHS  
BRANDEIS UNIVERSITY**

My name is Lawrence H. Fuchs. I am Meyer and Walter Jaffe Professor of American Civilization and Politics at Brandeis University. I have spent most of my professional life studying the history and policy of immigration. From 1979 to 1981, I was the Executive Director of the Select Commission on Immigration and Refugee Policy, and currently, I am Vice Chair of the U.S. Commission on Immigration Reform.

I believe that there are three basic options with regard to reforming the benefits eligibility system for lawful permanent resident aliens.

The first is to turn the matter over to the states.

The second is for Congress to categorically deny such benefits.

The third, unanimously adopted by the Congressionally appointed bipartisan Commission on Immigration Reform, is to make the affidavits of sponsors of immigrants enforceable for the period in which sponsor income has been deemed available to immigrants to keep them from becoming public charges.

If you turn the the responsibility over to the states with the expectation that each will find its own policy, you may create a serious constitutional problem. A unanimous Supreme Court ruled in *Graham v. Richardson* in 1971 that any state law that distinguishes between permanent resident aliens and citizens with respect to public assistance is in violation of the Constitution's Fourteenth Amendment equal protection clause. The Court ruled emphatically that it was impermissible for states to make welfare classifications based on legal alienage for fiscal reasons.

Possibly, the Congress can make constitutionally permissible what the states cannot do on their own, although that is not certain.

Whatever the constitutional disposition of such a case might be, it would, in my opinion, be bad policy for either the Congress or the states to make what the Court called an invidious distinction, one which it found to be subject to strict constitutional scrutiny.

Immigrants come to the United States as close relatives of citizens and resident aliens already here and because of their needed skills or other economic assets. If the numbers or categories are wrong, if they are not in our national interest, we should change them. The Commission on Immigration Reform is looking intensely at such questions now. But members of this bipartisan commission, including both strong conservatives and liberals, are unanimous in recommending against categorical distinctions between permanent resident aliens and citizens with regard to benefits under discussion here. To do so would be to cut at the heart of what makes the United States different from any other country in the world.

We correctly expect of legal immigrants that the vast majority of them will work hard, save, and invest in their children. Like citizens, they pay taxes and are subject to compulsory service in the armed forces. Many of them actually volunteer. We expect them to add to our language resources and help us to compete in a global economy. Their children provide us with a highly disproportionate number of valedictorians. And most legal permanent resident aliens are devoted to ideals of freedom, opportunity, and personal and family responsibility.

Well, some will say, "Let them become citizens." Not so easy! The average wait for an INS interview is now seven to ten months. In San Diego, an immigrant who applies for naturalization will be scheduled for an interview about 270 days later. Once approved, the wait to be naturalized varies greatly: ninety days in New York, more than a year in San Diego.

There are long waiting lists almost everywhere for adults to be admitted to English language classes. In New York, the waiting list is often as long as a year, sometimes two. The

Riverside Church runs a lottery each month, and those who don't make it must sign up again for the following month.

About five percent of those who take the citizenship exam fail, but many never get that far because they are afraid to take it. That is especially true for older persons, many of whom are English language deficient. Persons over fifty-five can take the test in their native language, but they must have been in the U.S. for at least fifteen years.

In Chicago, we learned of a seventy-one-year-old Polish woman who broke down in sobs when she failed the citizenship test for the second time. For many elders, the humiliation of admitting that they may not remember or that they are suffering some impairment or disability is a huge obstacle to applying for and taking the exam. Do we want to say to this woman, if she should suddenly become disabled, that the public assistance is not for her because she is a legal immigrant? That was the situation of one of the plaintiffs in the *Graham v. Richardson* case.

Do we want to tell a 12 year old orphan that she must live on the streets because, as an immigrant, she does not qualify for the program of foster care and adoption assistance under Title IV of the Social Security Act. She'd be in a real Catch-22: she wouldn't qualify for help because she's a legal immigrant but she can't naturalize because she is underage.

Do we really want to say to a legal immigrant woman who has been beaten by her husband that she must go to a shelter for battered women and be separated from her children because she is not eligible for AFDC, in whatever form it emerges? There are many instances of battered women, permanent resident aliens, who, with their children, were saved by being on AFDC temporarily, and are now productive members of society.

Do we want to take SSI benefits away from legal immigrants, say a blind seventy-year-old man who collects no retirement benefits? Over three-fourths of elderly legal immigrants receiving SSI do not receive social security benefits, compared to one-third of elderly native-born recipients. We are not going to say to such persons: "Go back to where you came from."

There are other programs that would not be available to legal permanent residents under some of the legislation contemplated that I think you do not wish to eliminate. For example, you may have seen a story on Wednesday regarding this year's Westinghouse Science Prize winners, a hugely disproportionate number of whom are immigrants or the children of immigrants. The story featured one brilliant fifteen-year-old who, if he had finished just out of the running, would not be eligible for scholarship help under Title IV of the 1965 Higher Education Act. What a loss to the rest of us!

Just as we should be clear in our policy against any broad, categorical denial of public benefits to legal immigrants, so we should be clear that sponsors are to be held financially responsible for the immigrants they bring to this country during the deeming period.

The Commission on Immigration Reform has made several recommendations as to how to do this and is now working on refining them. Benefit eligibility is complicated by the many legal statuses afforded to individuals within this country. Thus, statutory categories of aliens should be specified regarding their eligibility for work and benefits. Such categories must include those not authorized to work and not eligible for the benefits we are discussing here. A bright line should be drawn between illegal immigrants and those we have admitted to participate in our communities and work places as a matter of national public policy.

In summary, I hope you will not rush into legislation you will almost certainly regret—legislation that could amount to a wounding, not just of immigrants, but also of their families, communities, and this beautiful nation of ours.

Mr. COLLINS. And thank you, sir.

Mr. Moore, we will go ahead and take your testimony. We have a vote on the floor, but you go ahead.

**STATEMENT OF STEPHEN MOORE, DIRECTOR, FISCAL POLICY STUDIES, CATO INSTITUTE**

Mr. MOORE. Thank you, Mr. Chairman, for the opportunity to testify this afternoon.

My name is Steve Moore. I am the director of fiscal policy studies at the CATO Institute. My position and the position of the CATO Institute is that, essentially, we should say yes to immigration as a Nation but no to welfare. And for that reason I support the ideas that are embedded in the Contract with respect to reducing welfare eligibility of immigrants.

I think that when you look at the kind of voter backlash, for example, that you saw with proposition 187, that backlash was more directed at the welfare state than it was at immigrants.

I would like to make five very quick points about the relationship between immigration, welfare and the economy.

The first point is, and most importantly, we should not lose sight of the fact that immigrants are economic assets to this country. Dr. Fuchs is absolutely right about this. The impact of more immigrants on American workers is to raise their long-term living standards.

Immigrants do not take jobs from Americans. They do not depress wages or working conditions. Immigrants are not poor, tired, huddled masses. If you look at the back of my testimony you will see some various charts that show, for example, that immigrants have higher per capita income than Americans do, that immigrants—that States, for example, with high levels of immigration have lower unemployment than States with low levels of immigration. Immigrants are one of the best bargains we have in this country.

Second of all, immigrants pay more in lifetime taxes than they use in services right now. That is, if the idea of this provision is to reduce the Federal deficit, immigration, as it now exists, reduces the deficit because over their lifetime immigrants pay more in taxes than they use in services.

There was a very famous study by Julian Simon done in the seventies that shows that over their lifetime, immigrants pay \$20,000 more in taxes than they use in services. And the main vehicle for why immigrants pay more in taxes over their lifetime than they use in services is because of the Social Security system. They are a one generation net benefit to the Social Security system because when they come in and they are young, they pay into the system, but there is no corresponding cohort of elderly parents who they are paying into the system for.

Third, immigrants are not especially welfare abusers. If you look at the 1990 census data it is very clear that immigrants and natives have roughly the same rates of welfare use. For example, in 1990, immigrants had about a 4.9-percent rate of welfare use. It was about 4.2 percent for native-born citizens.

Here is the interesting thing about the statistic. Again I would refer you back to my testimony. If you break this statistic down

and you take out the refugees—because we have two types of major immigrants who come into this country, refugees and immigrants, and our welfare policies are different with respect to refugees and immigrants.

We are much more generous with respect to refugees. If you take them out of the picture, you will find this: Immigrants are only half as likely to use welfare as are U.S. born citizens. It is interesting. I would say, by the way, that the Republican Contract says nothing about refugees where the real welfare problem exists. The welfare problem does not exist primarily with immigrants.

Fourth, I agree with all of the previous speakers that there is a very real problem right now with SSI and immigration and it is something that I certainly hope that if you cannot deny the whole range of welfare benefits to immigrants, at least we look at this one program where we are seeing major abuses, which is SSI, and make noncitizens ineligible for SSI.

Fifth, I would say that the idea embedded in the Republican Contract, which is to reduce welfare to immigrants, is consistent with America's traditional immigration policy. Dan Stein is correct that our traditional policy has been one where we have essentially tried to exclude those who would become a public charge. I think it has become a breakdown in our immigration policy that that is not enforced.

At one time in our history it was enforced. In the twenties, for example, we would deport people if they became a public charge. And I think we have to get much stricter in terms of basically saying we want people to come to this country who want to work and because they want to reunify with their family and we want people who will become productive citizens. We don't want America to be a welfare magnet. I don't think that is existing, but to the extent that we can prohibit it, I think that is a good thing.

I think there are various kinds of reforms that you might look at if you can't do an outright bar of noncitizens to benefits. First, SSI, again, that is one you should specifically eliminate.

Second, I agree with Dan Stein that we have to start enforcing the public charge provision. For example, our foreign consulates should start screening more carefully to make sure that people who are coming into this country are not physically or mentally disabled.

Third, I would agree with the Immigration Commission that we should look at expanding the deeming provisions of the sponsor incomes. So that, for example, the sponsor's income is deemed for not just 3 years but 5 years.

Let me finally sum up my testimony by saying that I'd hope that the provisions of the Contract are not meant to be some kind of anti-immigrant sentiment. I hope that these are being driven by a genuine concern for reducing costs. I truly believe that if we were to move toward reducing welfare benefits to immigrants, that this would be a way of increasing America's support for our immigration policy and I think that policy would be good for immigrants. I think it would be good for taxpayers and I think it would be good for America.

Thank you.

[The prepared statement and attachments follow:]



**TESTIMONY OF STEPHEN MOORE  
CATO INSTITUTE**

Thank you for the opportunity to testify before the Human Resources Subcommittee on the thorny issue of immigration and federal welfare policy. I endorse many of the policy reform proposals that would restrict welfare use of immigrants contained in the Republican Contract with America and other legislation. Restrictions on the use of public assistance is in keeping with America's traditional welcoming policies with respect to immigrants. My overarching fear, however, is that this policy may be driven more by a rising tide of anti-immigrant sentiments in Congress, rather than primarily as a carefully constructed welfare reform policy aimed at saving money and reducing dependency. I hope that I am wrong.

It is essential that Congress address the issue of immigrants and welfare with accurate facts about the public costs and benefits of immigrants. Frankly, much of what is generally thought to be true about the "costs" of immigration turns out to be mostly untrue. There are few issues where the conventional wisdom on Capitol Hill, in the media, and among popular opinion is so squarely contradicted by solid economic research.

So to set the record straight, here are some of the essential facts about immigration, welfare, and the U.S. economy.

1) Immigrants are economic assets, not economic burdens.

The impact of immigration on the American economy is the subject of my 1994 book Still an Open Door? (American University Press). Briefly summarized: most immigrants--in the past and today--make strong net contributions to the American economy. A comprehensive analysis of immigration on the nation's economic well-being by President Reagan's Council of Economic Advisers in 1986 concluded that "the net effect of an increase in the labor supply due to immigration is to increase the aggregate income of the native born population." The U.S. Department of Labor's exhaustive 1990 survey on the labor market impact of immigrants states: "Immigration increases aggregate income by more than the immigrants wages--regardless of his or her skill level."

These and other studies suggest that:

\* Immigrants do not displace U.S. workers from jobs (See Figure 1);

\* In most cases immigrants do not depress wages or working conditions of low-skilled American workers;

\* Most immigrants are not "poor, huddled, tired masses." In fact immigrants are quite successful in the United States and have a per capita income that is slightly higher than that of natives. (See Figure 2.) Moreover, immigrants earning rise over time, signifying that they are successfully climbing the traditional economic ladder of success.

There is strong consensus among respected economists that immigration is economically beneficial. In 1989 I surveyed the past presidents of the American Economic Association, the U.S. winners of the Nobel prize in economics, and the past members of the President's Council of Economic Advisers for a study sponsored by the Hudson Institute. Of the 40 respondents, 80 percent believed that "immigration has had a 'very positive impact' on U.S. economic growth in the twentieth century. None of the respondents believed that the impact has been negative. Roughly two-thirds of these top economists believed that increased immigration would have a "favorable impact on the U.S. standard of living." In sum, America's ability to import strong minds and strong bodies is one of the nation's most critical comparative advantages in today's world economy.

2) Immigrants pay more in lifetime taxes than they use in government services.

I am in favor of reducing public costs associated with immigration. However, one point needs to be made clear. Immigrants as a whole already pay more in taxes than they use in public services.

A landmark study by economist Julian Simon at the University of Maryland found that the average immigrant pays roughly \$20,000 in taxes over his/her lifetime than he/she collects in government services and benefits. A more recent study by Jeffrey Passel and Michael Fix of the Urban Institute came to a similar conclusion.

The major reason that immigrants pay more in taxes than they use in services is because immigrants are huge net contributors to the most important income transfer program of all: Social Security. When immigrants arrive in the United States they work and contribute payroll taxes immediately into the Social Security system. But unlike American-born workers, those payroll taxes are not offset by any Social Security benefit payments made to the immigrants' parents--either because the parents are not here in the U.S., or because even if they are here, they are not eligible for Social Security. Hence, there is a one generation windfall to Social Security via immigration. (The Social Security actuaries recognize this. When immigration rises the actuarial balance of the trust fund rises permanently; when immigration falls, the trust fund is permanently further in the red.) It turns out that this windfall to the Social Security trust fund swamps all other effects on the public fisc.

Viewed from the standpoint of a public investment, immigrants are a very good deal for U.S. taxpayers.

3) With respect to welfare services, immigrants are not especially heavy users, but refugees are.

It is a widespread myth that immigrants abuse welfare. According to the 1990 Census, 4.7 percent of the foreign born were on public assistance, versus 4.2 percent for native-born citizens. This isn't a large difference. But more importantly, when refugees are excluded from the analysis, an entirely different picture emerges into sharp focus. Economic immigrants are less likely to collect welfare than natives. This is documented in Figure 3. Moreover, recent immigrants (those who arrived in the 1980s) of working ages (15-64) are only about half as likely to collect welfare as are the native born.

The data in Figure 3 suggest that welfare use of immigrants is predominantly concentrated among two populations: refugees and elderly immigrants. Leaving aside for a moment the issue of elderly immigrants and SSI, it is noteworthy that none of the welfare or immigration reform proposals--including the provisions in the Contract with America--are targeted toward the population where the welfare problem is most costly and severe: namely, refugees. This means that most of the "reform" proposals aimed at legal immigrants, will restrict benefits where abuses and public sector costs are minimal.

4) SSI is the one major program where benefits to immigrants are growing rapidly.

The Cato Institute has just released a study on the widespread abuses taking place within the SSI program. We call SSI the "black-hole of the welfare state" because of the massive expansion in enrollment, the ever expanding lists of alleged "disabilities" for which one can qualify, and the double digit inflation in program costs. One of the problems has been the very large increase in the number of noncitizens collecting SSI benefits. In 1982 there were 127,900 aliens on SSI comprising 3.3 percent of the total caseload. Today, there are 600,000 alien SSI recipients, comprising 11 percent of the total--and 25 percent of aged recipients. Reforms are clearly needed to reduce the expanding rolls of SSI.

5) Congress should begin to pursue a policy based upon the principle of "Immigration yes, welfare no."

How should public policies with respect to immigrants and public welfare be reformed? The Republican Contract would deny some 60 public assistance benefits to noncitizens. In principle, I support this provision. It is the general position of the Cato Institute that America should say yes to immigrants, but no to welfare. The Contract moves in this direction--on the second front. Unfortunately, the "yes to immigration" is nowhere to be found in the Contract. There is no legislation to expand

immigration quotas, though several to reduce numbers substantially.

America's goal should be to attract immigrants who come to the United States for economic opportunity, family unification, and freedom. And predominantly immigrants do come for those reasons. Taking away even the potential of a welfare magnet would assure that immigrants come for only those reasons.

Although some object to denying benefits to noncitizens on fairness grounds, the "no public welfare benefits" approach is consistent with historical U.S. immigration policy. It has been a mainstay of U.S. immigration laws that immigrants should not receive public benefits. The first immigration statutes of 1882 America's immigration laws have always had a requirement that immigrants not become a "public charge." The 1882 law barred immigrants who were "paupers and persons likely to become a public charge." In the 1920s more than 10,000 immigrants who arrived in the U.S. with serious mental or physical impairments were turned back. When immigrants who did gain entry became a public charge, they were often deported.

The "public charge" prohibition remains imbedded in U.S. immigration law today. Indeed, the 1990 act states:

Any alien who, within five years after the date of entry, has become a public charge from causes not affirmatively shown to have arisen since entry is deportable.

The problem is one of enforcement. According to the Congressional Research Service, the number of aliens deported in recent decades has been "negligible."

In addition to the public charge prohibition, our immigration laws contain other policy distinctions between immigrants and U.S. citizens with respect to public aid. For example, immigrants are not eligible for many forms of public assistance for their first three to five years in the U.S. If we cannot eliminate welfare entirely--for everyone--then it seems fair-minded and historically consistent to ratchet down the welfare state by beginning with noncitizens.

However, there are several concerns I have with the Contract proposal:

- 1) Savings are overstated. The CBO uses static analysis in generating budget savings estimates. This is a flawed analysis because it does not account for the fact that some immigrants who now go on welfare, will become citizens primarily to gain eligibility; expanding naturalization rates.

2) Some services that would be denied immigrants are not welfare. Of the 60 services that would be eliminated for noncitizens, there are several that ought to be reconsidered. These include childhood immunizations, preventive health, and education programs. Americans do not consider these programs welfare. Another concern is that with services such as immunizations, denying benefits may imperil the health of U.S. citizens.

3) Focusing the immigration debate predominantly on immigrants may be a distraction from the real welfare problem. Immigrants do not have a welfare problem, America does. I worry that the focus of the reform effort on immigrants, enables politicians to avoid addressing the core issue, which is, reducing the negative effects that welfare is having on American citizens and society. For example, the disturbing rise in illegitimacy and the break-up of the family, problems exacerbated by the welfare state, is much more prevalent among the U.S.-born population than the foreign born. (See Figure 4.)

Finally, there are four specific proposals that are less ambitious than the Contract with America policy that might command broad bipartisan support if an outright bar on benefits cannot be achieved.

1) Make affidavits of support by immigrant sponsors legally binding.

2) Extend the deeming provision of sponsor's income to the eligibility of immigrants to the first five years in the U.S. from the current three years.

3) Enforce the public charge provision in current immigration law.

4) Eliminate immigrant eligibility to SSI, which is the one program where alien abuses are common.

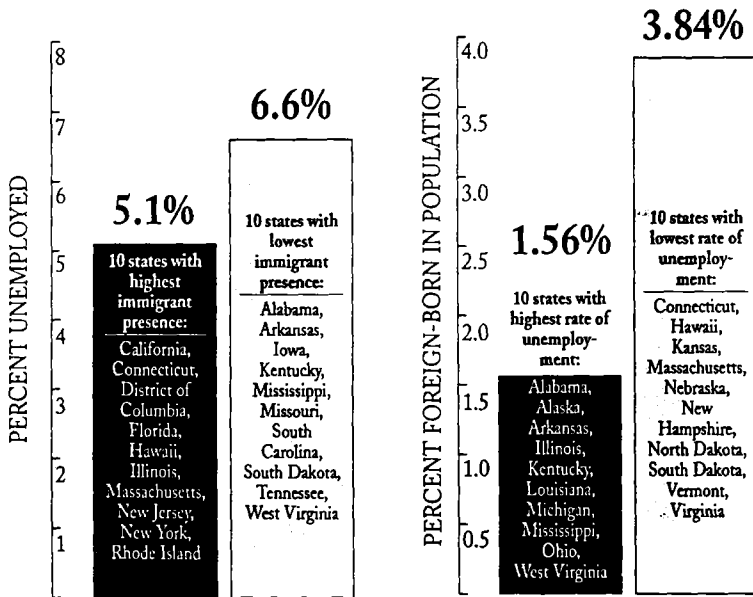
My hope is that to the extent that we can reduce public sector costs associated with immigrants we will see a reduced restrictionist fervor in Congress and among the public. Our goal should be more immigrants at less cost.

Figure 1

# Immigration and unemployment

Median unemployment rate in states with high and low immigrant presence, 1960-1991

Immigrant presence in states with high and low unemployment rates, 1980-1990

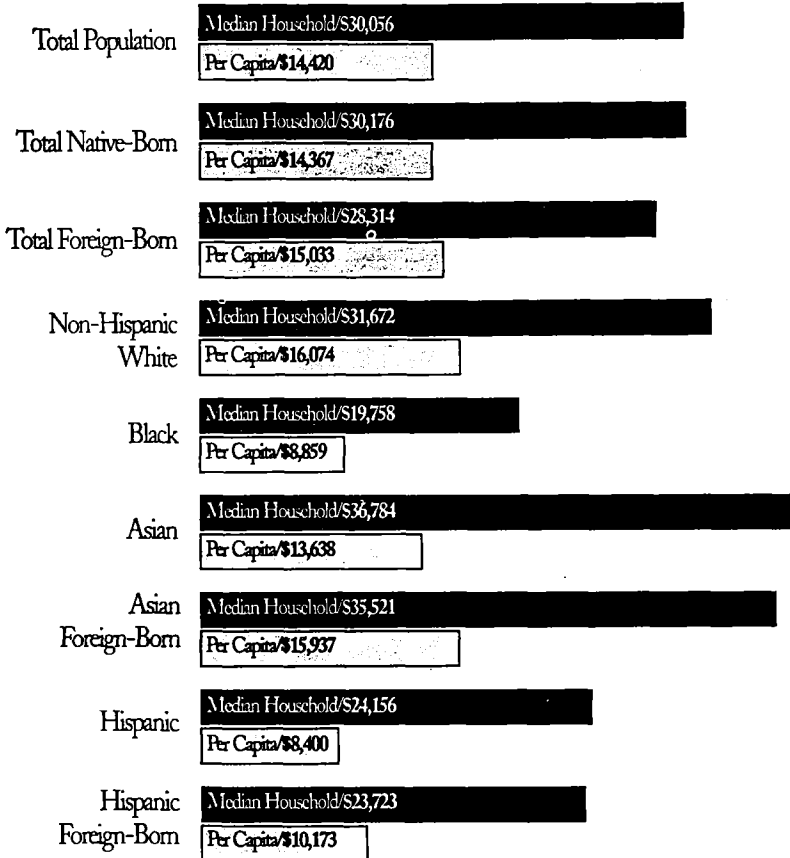


Source: Vedder, Gallaway, and Moore, 1994

- Immigrants do not lead to higher unemployment rates for U.S. workers, largely because they create jobs with their businesses and consumer spending.

Figure 2

# Income levels, 1989

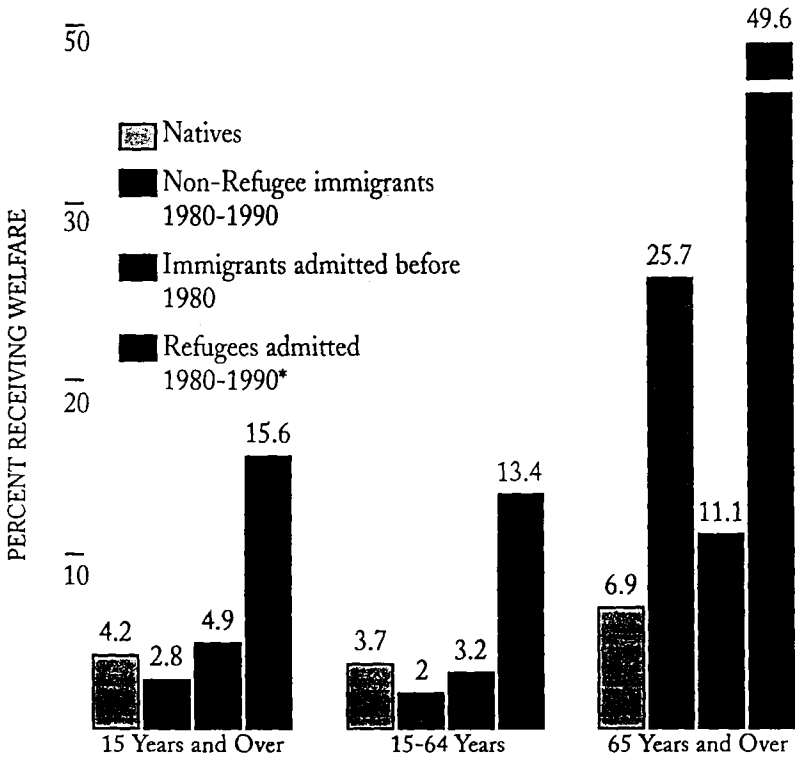


Source: 1990 Census

- Immigrant incomes rise over time. For those entering the U.S. before 1980, median household income in 1989 was \$35,733 and per capita income was \$19,423. Asian immigrants arriving before 1980 earned \$45,048 in household income and \$23,464 in per capita income in 1989. Those from Latin America earned \$25,783 and \$13,836, respectively.

# Welfare use, 1989

Figure 3



Source: Urban Institute tabulations of 1 percent sample from 1990 Census

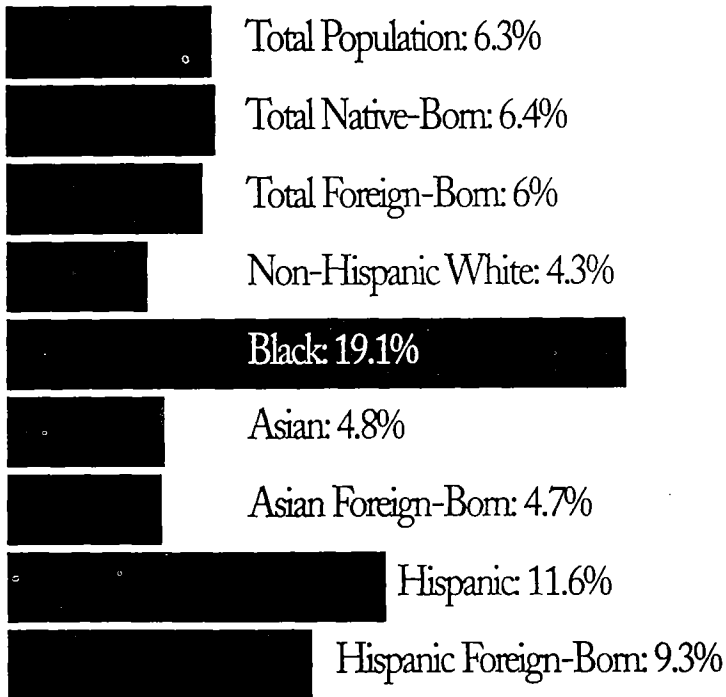
\*Refugees are defined as immigrants from Afghanistan, Albania, Cambodia, Cuba, Ethiopia, Iraq, Laos, Poland, Romania, Soviet Union, and Vietnam.

- Immigrants are more likely than natives to receive welfare, but that is due mainly to very high rates of welfare use among refugees and the elderly. Non-refugee immigrants of working age are less prone to welfare than natives.



Figure 4

## Female-headed households with minor-age children, no husband present, 1990



Source: 1990 Census

- Immigrants are more likely to marry and stay married. Sixty percent are married, versus 55 percent of natives. Almost 11 percent of natives are divorced or separated, compared to 8.3 percent of the foreign-born.

Mr. FORD. Mr. Chairman, I know that we are going to vote, but I certainly want to get back into the immigration policies of this country when we come back and with some of the questions.

I just want some of the witnesses to give some further thoughts as it relates to the immigration policies and as it relates to the whole AFDC and the AFDC Programs.

Mr. COLLINS. Gentlemen, we appreciate your waiting and we will be back in approximately 5 minutes. That is how much time it will take to vote. It will take us 10 minutes, according to the Ranking Member. Thank you.

[Recess.]

Chairman SHAW. We will resume our work.

Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman. The current proposals suggested by Speaker Gingrich send block grant money to the States for legal immigrants because States have a constitutional requirement to provide public assistance to these immigrants.

Are the States going to be left holding the bag? Isn't this just another one of these unfunded mandates that we send down to the States?

Mr. FUCHS. It could become that, but I think the constitutional challenge will make it inoperative in fairly short order. I think if you read *Graham v. Richardson* carefully, one of the strong objections it had, and it hypothesized that even if the Congress granted the States to do this, you would have a situation in which some States would have much stricter deprivation of benefits for lawful permanent resident aliens than others.

Mr. FORD. But what California, New York, Texas, and others that really have—

Mr. FUCHS. If it came into operation, one of the things we looked at, you get this terrific differential impact and burden on the States. No question, the implication of your question is correct. But I think the constitutional problem has got to be looked at very seriously, even from the block grants business. Read that decision—it was a unanimous decision—carefully before running off in that direction.

Mr. FORD. Mr. Stein has a brief comment. Go ahead, sir.

Mr. STEIN. Thank you, Mr. Ford. I would comment that I think the three issues raised by the block grant scheme are as follows: First, if the block grant established that the States—that specifically delineate eligibility by alienage in a way that was specific in the delegation of the block grant, it would be a constitutional question. It would be litigated, but it is a delegation issue and it is different than *Graham v. Richardson*. And it is likely that as long as the States were given specific direction—it would be upheld in my view. If it gave the States too wide a latitude in second guessing which aliens qualified or not, it would probably be struck down.

The second issue is that the States themselves do not have the competency to ascertain alienage classifications because the INS doesn't have the online support capacity to give a service provider a quick answer about what kind of alien is sitting there in front of him. And there are a huge range of administrative problems with that.

Mr. FORD. I think that was my next question. Do you agree with Speaker Gingrich that we should not harm people who have worked and paid their taxes? Speaker Gingrich has suggested block grants to States—which are likely to be reduced over time and so that the States couldn't meet their constitutional obligations to those very people who have worked hard and paid their taxes.

Mr. FUCHS. That is the Commission's view that it would be a mistake. Mr. Gingrich's position, as I have read about it and heard it on the radio, is that he has backed away from the Contract. Now, if you read the Contract With America in the book, not the legislation, you will see language there that really contradicts the legislation.

If you look at that very carefully, it may have been a mistake or an error. Maybe what was intended was that noncitizens should not receive any benefits, but it doesn't come out that way. It comes out that illegal aliens should not receive any benefits, and persons who are here legally should.

But that may be Mr. Gingrich's position. You all would know much better than I would. But Senator Simpson of course feels strongly that way. And that is embodied in his bill, the Commission's recommendation really is reflected in his bill that he has introduced over on the other side.

Mr. FORD. Many of our problems have been created because of those who have been coached, the middleman or someone who really identified—in other countries—who have persuaded these immigrants to come into this country as legal immigrants, rather, and that they have been coached in many instances. We have seen testimony and heard witnesses before Joint Subcommittees on Ways and Means and people who have testified in this Congress.

Is that a big problem?

Mr. FUCHS. The key phrase there is "in many instances." No, it is not typical at all. But it must happen that people are coached and so on. And there are the facts. A fairly high number of people do, after the deeming period is over, go on the SSI. And that is not surprising. They are eligible to do that.

Mr. FORD. We expect after 5 years through 1996, should we make that permanent, the 5-year deeming?

Mr. FUCHS. The Commission has not studied it, whether to make it permanent, that 5-year period. As to the enforceability of the affidavits, we believe that the affidavits can be made enforceable and that sponsors can take responsibility. There are bonding procedures, insurance procedures, and other things to be done that have not been done, and that is why we recommended that that is the way to go because the two alternatives really present some very serious, bad problems for our national interest.

Mr. FORD. And our immigration policies have created a lot of those problems, wouldn't you say?

Mr. FUCHS. Immigration policies?

Mr. FORD. Immigration policies as it relates to these illegal immigrants.

Mr. FUCHS. The major problem is the difficulty in enforcing the limits and we are getting better at that, and the proposal for much more effective workplace enforcement will do it.

But you must distinguish between legal immigrants, whom we affirmatively admit, overwhelmingly related to citizens in this country, and persons who we bring in because of their needed skills or other economic assets, distinguish between that group, people who make this enormous contribution to the United States—not that immigration is free, it is not, but the benefits are very strong—and distinguish between that group and illegal aliens.

Mr. FORD. Well, illegal immigrants are not eligible anyway.

Mr. FUCHS. That is right. But we don't even have in our immigration statute a stipulation as to which kinds of immigrants are eligible for what benefits. And we really ought to do that.

When you say problems created by immigration policy, you have to consider there are three major acts that were passed. In 1980 the Refugee Act; 1986, the IRCA, which was to legalize some aliens, but to begin a process of curtailing illegal immigration; and then the 1990 act signed by President Bush.

Now, these resulted from extensive hearings on the part of the Congress throughout that period, that 15-year period. Now, maybe we have too many immigrants. Maybe the categories are wrong. Our Commission is studying that intensely now.

But it is very clear to us that the overall benefit of legal immigration adding substantial numbers to this country is there. What those numbers ought to be, we should review. But that is not the immediate problem, the problem is to clean up the fraud, to enforce the limits, and to make sure that immigrants continue, as they have in the past, to make this strong contribution to the well-being of the country.

Mr. MOORE. Could I interject something here?

Mr. FORD. My time has expired. I am over my time.

Mr. FUCHS. I am sorry if I didn't get to your questions.

Chairman SHAW. Mr. Ensign will inquire.

Mr. ENSIGN. Thank you, Mr. Chairman. Mr. Fuchs, let's say that you lived in Chechnya and you were offered the following bargain: Come to America, enjoy personal freedom, enjoy an economy that has generated 50 million jobs, and in return all we ask is that you obey our laws and become a citizen before going on welfare.

Do you think that bargain would be fair? Do you agree that immigrants are extremely lucky to come to America?

Mr. FUCHS. The answer to the last question is yes. I think this is the most wonderful and glorious country in the world and all of us are lucky and privileged to be in this beautiful Nation. But we admit immigrants because we want to, or if we don't, we shouldn't.

Now, then the question is the affidavit and the responsibility and the deeming period. If after that expires, and if it can be made enforceable, which I believe it can be, if after that expires and you become disabled, you are now part of the community, you are now going to church in the United States, you are now going to a PTA meeting, you are trying to raise your children.

Mr. ENSIGN. Excuse me, the question was do you think it is fair that we require them to become citizens before—

Mr. FUCHS. It is not fair. It is not realistic unless we make a much heavier investment now in our naturalization and education for citizenship programs. We even have to revise the present oath, which is so anachronistic, it goes back to 1790 and has archaic lan-

guage in it. It is not fair unless we do a much better job of doing that.

I am very procitizenship. I want us to have as much naturalization as possible. It affirms so many good things. But it is not fair to say to somebody who is here, and for various reasons, as I discussed in my testimony earlier, simply cannot make it or feels intimidated, feels embarrassed, or cannot take that naturalization test and pass it, it is not fair to say to them that if the legs are cut out from under you, that you are no longer a part of our social community and are not entitled—even though you paid taxes, even though your children may have volunteered to serve in the Armed Forces, that is not fair.

Mr. MOORE. First of all, the bargain is fair and it is historically consistent with our immigration policies and the fact of the matter is, first of all, if you look back, I mean when the people came on the *Mayflower*, they didn't find a generous social safety net to fall into.

I disagree on one point, yes, some immigrants may fall on bad luck and they may need assistance, but because we don't give public assistance doesn't mean they will not get assistance. We have family, neighborhood assistance, charities, and to the extent that those newcomers who come into this country need some type of assistance when they fall on hard times, then to say that because we don't have public assistance, they won't get assistance is wrong.

Mr. ENSIGN. Mr. Moore, I think you are making a grave mistake. You are assuming that the American people are compassionate people, and I think historically we have proven that we are cold-hearted and we don't care about our fellow neighbors.

And I think that we have to continue with as much Federal assistance that we can to the local level because the Federal Government is so compassionate. Bureaucrats really offer a lot of care and aid and love and compassion when they come to the local level and offer that type of assistance. I think we need to totally rethink how we are addressing some of these situations in the future.

Mr. MOORE. With the Refugee Assistance Program—and again it is very interesting that all of this discussion is about immigrants because the problem with welfare is really refugees. And when you look at what has happened with the welfare state and refugees, it has ruined, in my opinion, the lives of many of the refugees.

When we bring refugees into this country, we say welcome to America. Here is the AFDC line. Here is the food stamp line. And you take people who have taken the initiative, who have fled the killing fields in Cambodia or people who have fled Haiti on boats and you put them in the welfare state and you sap them of that energy.

I think it does a disservice to them.

Mr. ENSIGN. I agree. From what I understand, the Contract doesn't go far enough and we start limiting after 6 years the welfare payments to refugees; is that in the Contract?

Chairman SHAW. In the Contract bill, it provides that the benefits are for 5 years for refugees.

Mr. ENSIGN. Five years. OK. Thank you.

Chairman SHAW. Ms. Dunn will inquire.

Ms. DUNN. Thank you, Mr. Chairman. I am sorry we missed some of your discussion under questioning. And with the fear that I might be repetitive, I would like to ask you a basic question.

Isn't it possible—and I address this to any of the three of you who wishes to respond—to support a strong immigration, proimmigration program without supporting welfare benefits from the government to these people who are legal immigrants?

Mr. MOORE. Well, I will start and let the others take that. I think that is exactly the position of the CATO Institute. And I might say quite frankly, Congresswoman Dunn, that I don't see that in the Republican party right now.

I see a lot of proposals right now to substantially reduce even legal immigration numbers and if our policy is going to be yes to immigration and no to welfare, I see the no to welfare, but I don't see the yes to immigration. I would like to see that aspect.

Mr. FUCHS. Certainly it is possible. The question is, is it desirable? We bring people into this country. If you enforce the deeming provision, you can extend the deeming provision, you make those affidavits real. The question then is what happens when you get people who for—and I tried to list some of the reasons why people do not naturalize, and then they run into serious problems through no fault of their own and totally unanticipated, because that is not what public charge is. You public charge under the law when you become an economic liability through things that could have been foreseen.

But immigrants who are not excludable under the public charge exclusion do run into unforeseen problems, whether it is a disability, becoming blind, whatever it is, and then to say because you are here as a legal immigrant, even though you pay taxes, even though you get drafted, even though you contribute economically, even though you joined the PTA, we say to you, you are outside of—and I am not talking about the virtues of welfare or how you ought to revamp the whole system, but you are outside of the safety net that we provide to all people who are participating members of our social community.

You are not yet in the political community. You are not part of the civic community. You can't vote, you can't run for office. And that's OK to say, but it is not OK to say we know you are here because you have children here or parents here or brothers and sisters here who are U.S. citizens and through no fault of your own you have run into this terrible calamity, but go back home or become a citizen.

You say that to a 71-year-old blind person who has English language deficiencies and you are not doing what is the heart of America. It is not a question of foolish bleeding-heart compassion. It is a question of speaking the ideals, the character, the strength of our society. I don't think you want to abandon that.

Mr. STEIN. May I say that we have to recognize that we are in the situation where we are today and why we are having this hearing is simply because first, courts rendered the public charge provision as a basis for deportation unenforceable between 1945 and 1965.

And then we started the Great Society entitlement structure which altered dramatically the financial implications of immigra-

tion for the rest of us, taxpayers and citizens. And then the court struck down the sponsorship pledge as a meaningful and enforceable document.

We put in place an immigration law in 1965 that overwhelmingly gives preference to family relations so that if an immigrant comes, not only can he or she bring spouse and minor children, but eventually parents and married brothers and sisters who bring their spouses and the brothers and sisters petition for their brother, that is your uncle.

And over time you are deskilling the flow and new immigrant communities are assimilating into welfare as the elderly parent comes over, as the representative from AEI mentioned, strategically fully aware of the fact that when the deeming period is over, they are going to have stripped the elderly parents of all of his or her assets and put that person on SSI, not because they think they are taking advantage of the system, but because they believe, they have been told that these benefits are available and that you have a family obligation to bring that money into the family. And they are doing what they think is the right thing to do for their family.

But the availability of these entitlements and the lack of any sanctions to discourage the immigrants from the entitlements and plus the deskilling of the flow, are adding up to increasing participation on welfare in the immigrant flow and that is why you are seeing the SSI rates escalating among the immigrant component. And there is a lot of fraud.

Chairman SHAW. I am curious what part of the citizenship pledge do you consider should be done away with?

Mr. FUCHS. Nothing substantively, but the language, it has "abjure," "high princes and potentates." We ought to clean it up and have a very strong affirmative statement about what it means to become an American, what the ideals of freedom are.

It is just something that was drafted in 1790, and it is not a major issue. The present Commissioner of the INS has a program to look into it and to attempt to get it brought up to date and revised. It is a distracting aside for me to have introduced it. That is not the issue. That is not why people feel disincentives and so forth. I want to make it as strong as possible to get as many people naturalized as possible, and anything we can do to that end would be a good thing.

Chairman SHAW. I think we all agree with that. I just wanted to clear that up. I was wondering if there was something objectionable.

Mr. FUCHS. It starts out, "I abjure high princes and potentates" and we have had people come and say what does this mean? What am I saying?

Chairman SHAW. I would like to also point out something too, and I have heard you make reference to it at least two times in your testimony, one in your principal testimony and the other in answer to a question.

When somebody is somewhat retarded or elderly, there are ways that they can become citizens without taking a test. I know that one of our Members made reference to a young adult who had Down's syndrome who could never pass the test. That can be handled and the law does provide that there are waivers.

Mr. FUCHS. You are right, Mr. Chairman. It depends unfortunately, as so many of these necessarily do, on administrative discretion. And you will find great variation in practices throughout the country. Some district directors make it extremely difficult, unfriendly, and others are marvelous and they really work at this.

Some of the cases that I talked about, the case of the paralyzed veteran, he was drafted to serve in Vietnam, a Cuban-American, from Florida, he is the head of the chapter of paralyzed veterans. Pedro de Armas is his name. He went down to the INS; it was an unfriendly environment. He could not get his wheelchair in the door. He felt turned away.

I know you don't want to do that. Nobody wants to do that. But these things do happen. There is another person, a tremendous person who got denied naturalization who was qualified in every way. These things do happen. And all I am saying is that we have to think through what we don't want to do as Americans.

I mean all of us are so proud of our ability to bring in newcomers who are here legally, not illegally, to bring them into our society and make them a part of our Nation and the contributions they make and we want to be careful not to be inconsistent with that overall approach.

Chairman SHAW. I want to correct the record too. When Mr. Ensign asked me a question with regard to the refugees and at what point do we cap off the assistance, and I said 5 years and the answer is 6 years. You were correct, and I was incorrect.

Mr. Stein.

Mr. STEIN. One quick point. Two important things about the provision of H.R. 4 that just need to be stated. One is that you are explicitly stating that illegal aliens are not eligible for a number of Federal programs. That is important to do because over the years a number of courts have said that if Congress does not explicitly disqualify undocumented aliens, they can be construed as eligible.

The second area where you are closing a loophole is this huge catch basin called "permanently residing under color of law" which includes virtually every category of alien who is in some way or another in contact with the government, waiting or pending adjudication.

If you enter illegally and then you file a petition to suspend deportation or you are on parole or you are released waiting fair hearing, all of these categories, as the adjudications process of the immigration service has broken down, are swelling the ranks of these welfare rolls. And your bill, as it is drafted here, cuts off that huge growing category which in and of itself is an incentive to come here illegally.

Chairman SHAW. I think people who have expressed opinion contrary to the Republican bill as to what to do about legal aliens, they always come up with arguments such as they are taxpayers and what rights they are entitled to. They do not try to view the situation from where the government sits as to who do we have a responsibility to, and where we are looking to cut down and to take benefits away from American citizens. The question remains in my mind and where I am coming from, and I think the people who support this position, is what is our responsibility to the Nation to those who come to our shores before they become citizens?



Are there any special privileges for citizens? There are. The right to vote. We don't let noncitizens vote in this country. It could be argued if you wanted to say from their standpoint since they are paying taxes and working hard and doing all of those things, should they be able to vote? My answer is no. We don't have an obligation to allow them to vote until they become citizens.

Nor do I think we have an obligation to pay certain benefits, non-emergency benefits to them before they attain citizenship. But there are two sides to that story, and I am sure we have not heard the end of either side and we will be talking about it during this debate.

I thank you all.

Mr. FORD. Mr. Chairman, just one quick question. Under H.R. 4, what is your estimate of the number of immigrants that would be taken from the SSI rolls and the AFDC rolls? What is the cost savings and how many would become ineligible?

Mr. STEIN. Under the language now? I understand it is a grandfather clause so unless I am misreading it, I assume that everyone who is currently qualified would stay on.

Mr. FORD. I don't think it is grandfathered. They are cut off after 1 year, so there would be a number that can be ineligible.

Mr. STEIN. Without knowing who is eligible to naturalize, it is impossible to tell you, sir.

Mr. FORD. GAO estimated that it would be \$9.2 billion, and I think it was indicated about 5 million some odd thousand SSI recipients and 300,000 AFDC recipients.

Mr. MOORE. I think that estimate is overstated. Partly because, and I was talking actually to one of the people at CBO who put some of those numbers together and she assures me that there is some degree of dynamic scoring. If you look at how many are noncitizens receiving now, you are not going to get how much you are going to save. And it is my opinion that will substantially reduce the—that will substantially reduce the amount of savings you will get.

This is not an argument against doing it, but we have been trying to make this case for the last 10 years to do dynamic scoring, and here is a case where you are probably overstating your savings by doing more of a static analysis.

Mr. FORD. So you don't agree with the study that GAO has reported to CBO?

Mr. MOORE. I think that those numbers are overstated.

Chairman SHAW. Thank you. And thank you each for being with us today and making up a very fine panel.

We will now proceed to the final panel, and I thank the final panel for sticking with us through the day.

We have Dr. Sally Satel, assistant professor of psychiatry at Yale University. She is currently a visiting professor at the University of Pennsylvania in Philadelphia.

She is joined by Dr. Herbert Kleber, executive vice president and medical director of the center on addiction and substance abuse at Columbia University in New York City. Welcome to both of you, and Dr. Satel if you would proceed. We have both of your written testimony which will be made part of the record.

**STATEMENT OF SALLY L. SATEL, M.D., ASSISTANT PROFESSOR OF PSYCHIATRY, YALE UNIVERSITY; AND VISITING PROFESSOR, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PENNSYLVANIA**

Dr. SATEL. Thank you for inviting me to address you on the issue of Supplemental Security Income payments to addicts and alcoholics. I am an assistant professor of psychiatry at Yale University School of Medicine where my major clinical responsibility was in treating addicted persons. This year I am visiting professor at the University of Pennsylvania, and last year I was Robert Wood Johnson health policy fellow in Senator Nancy Kassebaum's office.

I would like to make two points today. The first is that DA&A should be abolished. It works badly and it hurts the recipients it is supposed to help.

And second, once discontinued, the funds from DA&A must be used for addictions treatment. In a moment I will present evidence showing that the treatment of hardcore addicts and alcoholics is in the best economic interest of society, but first I want to tell you briefly why I am so convinced this program has been a failure.

It is a destructive program and I say this based on the patients that I have treated. Most of my patients who have received SSI have used it to fuel their habits. These are not isolated incidences. I have had patients who were progressing in treatment but once their payments began, they dropped out. And also I have had patients who were actively looking for jobs and abandoned that job search once their first check came through.

In addition to undermining my patients' progress, DA&A appears itself to be unworkable as an entitlement. It is too easy to qualify for, and I will get back to that in a moment, it is difficult and expensive to monitor, there is no guarantee that there will be treatment available to move addicts from their disabled state to a functional one, and many of them want to, I do believe that. And, it entrenches the disability that it means to alleviate.

Let me repeat, number one, it is easy to qualify. When you think about it, there are really three requirements for income in this program. You must be addicted, you must be poor, and you must be unemployed. That describes 25 to 50 percent of the homeless population—the percentage estimated to be substance abusers.

It also describes tens if not hundreds of thousands of the 2.7 million hardcore addicts and alcoholics that the Office of Drug Control Policy estimates exist today. Also, the logic of DA&A strikes me as flawed. It assumes that people just happen to be poor and addicted, and some of them are, to be sure, but often people are poor because they are addicted. So to make them productive citizens or to at least interrupt the cycle of drug dependence, they should be getting treatment. I don't quite see where welfare comes into this equation.

For these reasons, I suggest dismantling DA&A and reinvesting the money realized from that in treatment. Perhaps block granting, that might be one way to approach it. Does this mean that I believe that treatment works? I certainly know treatment can help people achieve abstinence, but we are talking about a group of hardcore addicts here, and I don't think it makes that much sense to talk in terms of cure. Relapse is very common in this group. Everyone

knows that. So a cure is unlikely. But the point then becomes is treatment worth it, and the answer to that is yes.

It has been shown over and over again that addicts who are currently in treatment, who have been in treatment and who go into and out of treatment cost taxpayers less than addicts who do not. These savings come from treatment-induced reductions in predatory crime, property crime, admissions to hospitals for near drug overdoses, also from productivity loss and social welfare costs and of course criminal justice costs. Those all go down with treatment.

And this is key: Even if the person relapses to substance abuse and resumes problematic behavior, the magnitude of that setback—perhaps due to rearrest, job loss or hospitalization—the cost of that setback is still less than the cost associated with that individual prior to treatment.

If he goes back into treatment and relapses a second time, the costs associated with that relapse are less than the previous one, and so on and so on to the point where 10, 12, 20 years out, you see a pattern which shows that the economic burden imposed on society prior to their first treatment is significantly reduced years later and that treatment itself has mediated that reduction.

How much does the treatment cost? That is a very important question. The studies that have been done show that there is a 1-to-2 or 1-to-7 ratio. For every \$1 invested in treatment, \$2 are realized and in some cases \$7. For every \$10,000 saved per year per treated addict, \$1,360 were spent on that individual in a recent study of California's public treatment system.

In closing, I understand the attraction for some Members of the Committee of closing out the program and deploying the money elsewhere. I realize that some constituents may not see this group of addicts and alcoholics with much sympathy. Nevertheless I believe it to be extremely unwise to dismiss them.

They should be taken off welfare. I believe that. But in its place, they must be treated. For example, the average recipient represents in this program between \$7,000 and \$8,000. That is when you consider how much they get in disability payments, what the supplemental payment is, and the costs that go into monitoring each patient plus Medicaid. If that money could be dedicated to treatment, we could provide quality treatment for addicts and domiciliary care for those end-stage alcoholics who will probably never recover.

Finally, I would like to say that society really is the major financial stakeholder in the behavior of alcoholics and addicts and abandoning this program and reinvesting that money into treatment will give those stakeholders a solid return.

Thank you very much.

[The prepared statement follows:]

**TESTIMONY OF SALLY L. SATEL, M.D.  
YALE UNIVERSITY**

Thank you for inviting me to address you on the issue of Supplemental Security Income payments to addicts and alcoholics. I am an assistant professor at the Yale University School of Medicine (on leave 1993-95); my major clinical activities have involved treating patients addicted to drugs and alcohol.

As a clinician, working with patients who received SSI payments for addiction, I observed that the DA&A (Drug Abuse and Alcoholism) Program, though well intended, undermined patients' rehabilitative progress. Many of my patients used the benefits to finance their habits. Others dropped out of treatment or abandoned job searches when the first check came through.

I wish to make 3 points today:

1. The DA&A program should be abolished; it often hurts the very population it intends to help.
2. Funds that once supported it must be used for addictions treatment because treatment saves money in criminal justice costs, medical care and lost productivity.
3. No new funds are needed: existing DA&A funds should be transferred to the states to expand existing public treatment.

The following argument emphasizes the economic justification for addictions treatment. While ethical and humane considerations play an important role in the decision to provide care, I have set them aside for the purpose of today's discussion.

Please keep in mind, also, that there may be a high percentage (40-60%) of individuals inappropriately enrolled in DA&A. These are persons who abuse drugs or alcohol but suffer a primary, pre-existing severe mental illness, such as schizophrenia. These individuals belong under another disability category - that of mental disorder - and their benefits, although they should be supervised, must not be terminated.

**DISCONTINUE DA&A**

Addicts don't need money, they need treatment. Benefit payments can fuel habits and undermine compliance with cost-saving treatment - if a guaranteed income plus medicaid stops when recipients get better, what motive exists to leave the rolls?

When it was created, DA&A was supposed to function as a 'treatment scholarship' to support addicted people while they went to treatment, started on the path to 'recovery', searched for paying job and became employed. In the real world, however, it has operated much differently. Indeed, according to the Department of Health and Human Services (HHS), DA&A was largely unsuccessful in moving people from addiction 'disability' to functional status. The report, by the Inspector General of HHS (released in November, 1994), found that less than 1% of a cohort of 20,000 recipients who were enrolled in 1990 resumed work or were designated recovered by 1994.

First, current SSI eligibility requirements for addiction disability are loose and easy to circumvent. In my experience, it is often difficult to determine whether a substance abusing person is truly unable to work; in a one-time evaluation doctors must rest heavily on the claimant's self-report.

Second, almost any impoverished substance abuser can qualify under SSI DA&A criteria. Surprisingly, an applicant doesn't even need to present evidence of prior treatment. Thus, a claimant who never even attempted to get help, can still be designated 'disabled'.

Three, the costs and complexity of a surveillance bureaucracy are growing.

Fourth, the centerpiece of the program - treatment - is not always available. Residential treatment, in particular, is scarce and it is this modality that hard core addicts generally require for a minimum of a few months.

In sum, DA&A fails all the tests of a workable disability entitlement: it is easy to qualify for, difficult and expensive to monitor, unable to guarantee rehabilitation and often entraps the 'disabled' individuals it means to liberate from the oppression of addiction.

#### NATIONAL DISTRIBUTION OF ENROLLEES SKEWED

California has way under one-third of the nation's substance abusers, yet 32.6% of all DA&A recipients as of February 1994 resided there. Illinois is the second largest recipient state with 16.6%. New York State has 4.1% of recipients; Texas and Florida are not in the top 6, even though they have large addict populations. Given the relative proportion of addicted persons across the country, the current skewed distribution of DA&A recipients suggests a locality-based mechanism for enrollment; as other states begin to adopt that mechanism, the rolls will undoubtedly increase further.

#### SHOULD ADDICTS BE ENTITLED TO CASH BENEFITS?

Inevitably, the question of whether substance abusers should be entitled to cash benefits is raised. It is important to recognize that there are thousands of additional addicts and alcoholics who are eligible for SSI's DA&A program, only they haven't yet been formally assisted in applying for the benefits. For example, 25 - 50% of the nation's homeless persons abuse substances. Also, 2.7 million hard core addicts exist today; certainly a sizable percentage of them are eligible insofar as they are also poor and unemployed. Presumably, many of these folks are realizing this as the rolls have taken off and are predicted to double by the year 2000; they have already quadrupled since 1990.

Active hard core addicts and alcoholics have difficulty working. This is true. They are caught in a consuming cycle of intoxication and withdrawal and the substances themselves further impair cognition and impulse control. But the best way to interrupt this cycle is not with welfare payments but with detoxification and treatment.

## INVEST IN TREATMENT: SOCIETY WILL BENEFIT

Study after study shows that predatory crime, lost productivity and other financial burdens that fall on the shoulders of law-abiding citizens and on society are diminished substantially when addicted persons are treated. Not only that, the money saved in this way exceeds the cost of their treatment, often by a great margin.

Refer to reference # 5 for details bearing on the 'socioeconomic' justification for addictions treatment for hard core addicts. Discussion of the costs of addiction appear in references cited in bibliography.

## IS TREATMENT WORTH IT?

Yes, it is worth it. Not because it necessarily yields conventional therapeutic success - if anything, relapse is common among hard core users and patterns of exit and re-entry into treatment are typical - but because addicts who remain in the orbit of a treatment system cost tax payers less than addicts who do not. This point is absolutely critical in justifying a transfer of DA&A funds to provide treatment. To be sure, there are also benefits to the individual: less personal drug use, better health, a greater potential for employment, less family disruption.

Evidence consistently shows that treatment, once initiated, produces improvements in a variety of outcome dimensions, including substance abuse, criminality, drug dealing, addiction-related medical costs (HIV, tuberculosis, car accidents, addicted newborns, etc), refuge from the legitimate economy, and others of concern to society. The cost of treating an individual is 'made back' many times over. By comparison, the cost of incarceration of non-violent addicts is much harder to recoup; the cost of doing nothing is the most expensive course of inaction.

"Treatment" itself is not a single entity but a variety of approaches:

*Methadone maintenance* - for opiate (heroin) abusers, this is an outpatient modality. Patients receive methadone daily and counseling. This form of treatment works well when patients are engaged for several years.

*Therapeutic communities and residential care* - highly structured, residential (non-hospital) programs that generally last 9-12 months.

*Outpatient, non-methadone programs* - Programs usually offer 1-2 visits/week, 'day programs' offer up to 3-4 hrs/day. Clinic visits can last months, even a few years, 'day programs' usually last between 8-16 weeks.

Each of these treatments is cost-beneficial to society despite the clinical reality that hard core addicts usually relapse and re-enter treatment several times over. Addiction is a chronic and relapsing condition and addicted people generally don't turn around after a single treatment exposure. But even when persons are between treatment episodes, the benefits of prior exposure to treatment endure and accumulate over time.

For example, consider patients on methadone maintenance. Methadone is considered a long-term treatment and many patients relapse when they discontinue it. And when this happens the costs associated with criminality and lost productivity do indeed resume, but they rarely attain the same level of intensity as prior to initiating methadone.

It is this blunting of addiction-related costs even in people who have dropped out, that slowly amasses in additive fashion across treatment episodes until, years later, problematic behavior of patients in a seemingly untreatable group is significantly reduced. Thus, while the largest gains are seen while in active treatment, improvement in public health (decline in HIV transmission, sexually transmitted disease, hepatitis, drug resistant tuberculosis) and public safety (crime, accidents) and productivity is still discernible years after treatment has terminated.

#### SOME DYNAMICS OF REDUCING ADDICTION-RELATED COSTS

How much do these savings 'cost' the government in terms of paying for treatment? According to TOPS (Treatment Outcome Prospective Study, ref. #5), one of the most ambitious federally funded studies of treatment effectiveness ever conducted, the benefits were at least as large as the cost of providing treatment and so that post treatment gains, derived from different treatment modalities, were "virtually an economic bonus" (p 161). That is, the treatment paid for itself.

TOPS researchers studied nearly 12,000 patients entering 41 different treatment programs during 1979 through 1981 and followed them for 5 years (see ref. # 1)

Rutgers University researchers (ref. #5) reviewed and synthesized all major studies of treatment effectiveness and cost-benefit. In their words: "Addictions treatment appears to deliver benefits at least as great in dollar value as the resources consumed to provide the treatment. Cost-benefit ratios are typically considerably higher than the break-even point of 1.0 and range much, much higher depending on the study and the level of analysis." (8-4)

The benefits they cite are many. To the individual, more orderly and productive lives, better rates of earning and ease of advancement; lower out of pocket expenses for the purchase of alcohol and drugs. To society, decreased transmission of infectious diseases, lower use of social welfare services, much reduced demand on the criminal and family court and greatly reduced cost to law-abiding citizens stemming from the use of heroin, cocaine.

Savings from the treatment of alcohol seem to favor health care costs while the benefits of treating drug abusers are expressed more in reduction of criminal costs. The crucial message, though, irrespective of the specific substance abused, is that ratios of \$4 - \$7 saved for each \$1 spent on treatment are almost universally observed.

The socioeconomic evidence just presented underscores the rationale for dismantling DA&A and shifting the money into public treatment. Not only is treatment badly lacking - there are about 100,000 persons on waiting lists for public treatment at any given time), but increasing the number of addicts in treatment slots will drive down addiction-related financial burdens. Because these economic benefits of treatment rarely begin to accrue before 3 months of treatment and often not until 6 to 12 months, the longer an addict stays in treatment, the less he costs society.

#### END DA&A and TRANSFER FUNDS TO THE STATES

Let me say that I understand the attraction to some members of the Committee of closing out the program and shifting the money elsewhere. I realize that many of your constituents may not view addicts and alcoholics with much

sympathy, thinking, perhaps, that they have "no one to blame but themselves".

Nonetheless, I believe it would be extremely unwise to disregard them. Yes, they should be taken off welfare - income maintenance will not break the cycle of drug dependence - but in its place they must receive treatment. A 'cure' may not result from a single treatment episode, but \$ millions will still be saved in averted addiction-related costs.

The 1995 DA&A expenditure will be a little over half a \$ billion (including the benefits of \$450.00 to 90,000 recipients (the current enrollment) plus annual monitoring costs of \$600 per person). After reclassification and removal from DA&A of persons with a primary diagnosis of severe mental illness (e.g., schizophrenia, manic depressive illness, major depression) who are in need of supervised support for basic needs because they have an underlying, devastating mental illness, the remaining funds should be directed to the states for treatment of its addicted population.

The average recipient represents roughly \$7000-8000/year in DA&A benefit and monitoring costs including state supplements of up to \$2000 per year. This can purchase, depending upon the state, 3-6 months in a residential program followed by 6-9 months in a drug-free sheltered living program with outpatient treatment.

The details of a transfer mechanism would need to be developed, but the justification for it seems clear. Society is easily the major financial stakeholder in the behavior of addicts and alcoholics. Abandoning this dysfunctional program of SSI payments to addicts and alcoholics and 'reinvesting' its funds in treatment will produce significant savings for law abiding citizens and society through decreases in costs associated with public health, safety and criminal justice.

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Chairman SHAW. We are going to have to recess, another vote has been called for approximately 15 minutes. I hope you both can stay with us because what you have to say is very important to us. We will stand in recess for 15 minutes while Members go to vote.

[Recess.]

Chairman SHAW. Dr. Kleber if you will proceed.

**STATEMENT OF HERBERT D. KLEBER, M.D., EXECUTIVE VICE PRESIDENT AND MEDICAL DIRECTOR, CENTER ON ADDICTION AND SUBSTANCE ABUSE, COLUMBIA UNIVERSITY, NEW YORK, NEW YORK**

Dr. KLEBER. Thank you and the Members of the Subcommittee for inviting me to address you on the issue of Supplemental Security Income payments to drug addicts and alcoholics.

I have been in the field of treatment, research, and policy aspects of substance abuse for over 30 years, most of it at Yale University as professor of psychiatry and founder of the substance abuse treatment unit there where we had about 1,000 patients a day in treatment at any time.

In 1989 I was appointed by President Bush and confirmed by the Senate as the Deputy Director of the Office of National Drug Control Policy under Director Bennett. I served there for 2½ years and then left in November 1991, and currently now hold two positions, executive vice president of the Center on Addiction and Substance Abuse, a bipartisan policy center that Joe Califano, the Secretary of HEW under President Carter, and I founded in 1992, and as professor of psychiatry at Columbia and director of the division on substance abuse there.

The toll that substance abuse involves for our society is well into the hundreds of billion of dollars a year. It affects every aspect of our daily life, health care, crime, welfare, economic competitiveness, and is the fastest growing segment of HIV and tuberculosis.

As my colleague Mr. Califano pointed out in his recent book, "Radical Surgery," we are going to have a hard time reforming our health care system without dealing with addiction and substance abuse. Practically every study carried out comes to a similar conclusion. Every dollar invested in treatment generates between \$3 and \$7 of savings elsewhere in our health and criminal justice system.

What I would like to focus on in my testimony today is if your Committee saves money by reducing or eliminating benefits for addicts, those savings need to be spent on treatment. I will focus on the following four points: One, if the savings are invested in treatment, they will then generate future savings. If not, cutting out this program will eventually cost the government more money.

Two, the funds should not simply be put into the current block grant, but should be sent to the States where the need is greatest.

Three, there is a need for accountability to ensure that any new funds that go into the States for treatment do not simply supplant existing State dollars for treatment.

And four, some of the savings should be invested in research to improve treatment outcome.

As far as the first point about why we need to put some of these savings in treatment, our current public treatment system is woe-

fully underfunded for what it has to accomplish. The Office of National Drug Control Policy estimates that the current treatment system can handle at best 1.4 million drug addicts a year, while the need is at least for 2.5 to 3 million a year.

If we expanded treatment by \$300 million, it would yield treatment for between 100,000 and 150,000 patients a year, depending upon the mix of outpatient and residential treatment approaches.

Given that the population in question might be the harder, more difficult cases, and that more intensive and longer residential treatment may therefore be needed, the lower figure of 100,000 may be the more realistic one. If all of these needed 6 to 12 months of residential treatment, probably only 50,000 or so could be treated.

It is important to expand treatment both because it is humane and because it is a very practical thing to do. Unfortunately, funding for treatment in this country has been a bipartisan failure. The Republican President, under whom I had the privilege to serve, did not ask for adequate funds for treatment, and the Democratic Congress gave us substantially less than what we had asked for. In my last year there they gave us one-third of what we asked for.

Both ordinary citizens and policymakers believe that addicts are not worthy of public tax dollars for their treatment since they brought the condition on themselves, ignoring that the same can be said for many other medical conditions for whom we do not deny individuals coverage such as a smoker who develops cancer of the lung or a heart attack, or the diabetic whose lack of exercise or poor diet leads to the exacerbation of his diabetes. It is also true that although there are clearly volitional aspects in becoming an addict, once one has the disorder, there are significant changes that occur in the brain, making relapse likely and increasing the difficulty of staying off.

I would also like to stress that a number of studies have shown that involuntary treatment works about as well as voluntary treatment. If SSA had over these years been requiring addicts to be on treatment, you would find fewer of them on their rolls. If one looks at the current system, it flies in the face of everything we know about the treatment of the disorder of addiction.

Addicts are not required to be in treatment for a minimum period of time before being found to be disabled. There is a failure to require treatment after you get the award, and a failure to monitor the representative payee system. The fact that even 1 percent of addicts get off and recover may be a tribute to the addict rather than to the system, and by the way I apologize, in my typed copy it said 10 percent. That was a typo. It should have said 1 percent.

How should these treatment funds be used? Originally in my prepared testimony I said that they should be sent back to the States in proportion to the number of people that they had in the SSI, DA&A population.

It has been brought to my attention that such a distribution simply rewards certain kinds of initiatives which may not have been the intent. California, for example, has one-third of those payments and clearly doesn't have one-third of the addicts. New York, which has at least as many if not more than California, only has 4 percent of the addicts. Texas and Florida are not even in the top six.

So instead of doing it by the current percentage, what I would suggest to the Subcommittee is that you utilize a program that we tried to have enacted by Congress called the Capacity Expansion Program where the money would go to States where the need is greatest. States would demonstrate they have waiting lists, they have a need, and they would get a proportionate share of the money. I do not propose putting the money into the current block grant. There are too many set-asides. The money doesn't also go where it is needed and I think that would be a major mistake.

There is a need for accountability. Many of our States have significant financial problems and if the new treatment money is sent to the States without adequate accountability, there is a distinct likelihood that instead of expanding treatment, the new funds will be used to supplant existing State dollars.

Finally, it is important that some of those funds be used as an investment in research. Our treatment doesn't work all the time. In fact far from it. A report issued this week by the Institute of Medicine recommended that we need much more in the way of effective medications to treat these difficult disorders.

Congress has authorized \$95 million for the Medication Development Division at the National Institute on Drug Abuse, but has only appropriated \$40 million. I would strongly urge that some of the realized savings be put into that program.

In addition, the research arm of the Office of National Drug Control Policy is funding a number of innovative programs, including research on trying to develop a cocaine vaccine, and I think research money could be well spent there.

It is not good for our long-term national health that considering AIDS, cancer and heart disease, and the amount of money put into research for those conditions, only an amount equal to 15 percent of their research dollars goes for substance abuse research, and yet substance abuse is one of the leading causes of all of those three conditions.

In conclusion, there is no one treatment for addiction. We need a variety of approaches. There are major treatment shortfalls. For example, we have 115,000 methadone slots for 750,000 to 1.0 million heroin addicts. We have less than 12,000 long-term residential therapeutic community beds in the whole United States for all heroin and cocaine addicts.

We especially need to expand the therapeutic community modality because if we are targeting the SSI group of patients, many of them need that kind of long-term residential program. Treatment needs to remedy the social, educational, and vocational deficits that prevent these individuals from leading reasonably productive, positive, and drug-free lives.

It is important to note that this group of patients frustrates you. They frustrate your constituents. They frustrate the treatment and research community, but it is also important to remember they are our relatives and neighbors. And if we don't treat them, they will do more harm to themselves and to our Federal and local budgets than any money that we would save.

Thank you.

[The prepared statement follows:]

TESTIMONY OF HERBERT D. KLEBER, M.D.  
COLUMBIA UNIVERSITY, NEW YORK CITY

Mr. Chairman, members of the subcommittee, thank you for inviting me to address you on the issue of supplemental security income payment to drug addicts and alcoholics. I have been in the field of treatment, research and policy aspects of substance abuse for over thirty years. Much of that time was spent at Yale University as Professor of Psychiatry and the Founder and Director of the Substance Abuse Treatment Unit at Yale and The APT Foundation. The Unit when I left in 1989 had over a thousand patients in treatment for alcoholism and drug addiction at any one time, and, as well, was carrying out extensive research to try and develop new treatment methods for these patients.

In 1989 I had the privilege to be appointed by President George Bush and confirmed by the Senate August 1 as the Deputy Director for Demand Reduction for the Office of National Control Policy under its first director, William Bennett. I served until November 1st, 1991 and then left for New York City and currently hold two positions. I am Executive Vice President and Medical Director of the Center on Addiction and Substance Abuse (CASA) at Columbia University, a policy center founded by Joseph Califano, Jr., formerly Secretary of Health, Education and Welfare under President Carter, and myself, and, in addition, am Professor of Psychiatry at Columbia University and Director of a newly created Division on Substance Abuse at Columbia and the New York State Psychiatric Institute.

At CASA we are engaged in policy research on all aspects of substance abuse. Most recently, we were funded by the federal government to carry out an evaluation of the effectiveness of our national treatment system. The study will look at approximately two hundred programs and two thousand patients who will be followed over a period of one year. In addition, I am co-editor of the recently issued Textbook on Substance Abuse Treatment published by the American Psychiatric Association Press.

The toll substance abuse takes on our society is well into the hundreds of billions of dollars and affects every aspect of our daily life. It affects our health care system, crime, welfare, our economic competitiveness, and is the fastest growing segment of both the AIDS epidemic and the increase in tuberculosis. The problems brought about by substance abuse have been persuasively laid out in a book recently published by my colleague, Mr. Califano, entitled "Radical Surgery," which especially emphasizes that it will be hard to adequately reform our health care system until we do something about the treatment and prevention of substance abuse.

Since the previous speaker has elaborated on various studies that have been carried out on the effectiveness of treatment and the cost savings that treatment brings about, I shall not belabor the point. Needless to say, practically every study carried out comes to a similar conclusion: every dollar invested in treatment generates between \$3 and \$7 of savings elsewhere in our health and criminal justice systems. I would like to focus today on how, if your committee saves money by reducing or eliminating benefits for addicts, the savings could be usefully spent on treatment. I will focus on the four following points: (1) If the savings are invested in treatment they will then generate future savings; (2) the funds should not simply be put into the current Block grant, but should be sent to states in approximate proportion to the SSI addicts in their state; (3) there is a need for accountability to ensure that new funds do not simply supplant existing state dollars for treatment; (4) some of the savings should be invested in research to improve treatment outcome.

### **Savings Realized Should Be Invested in Treatment**

Our current public treatment system is woefully under-funded for the task it has to accomplish. The Office of National Drug Control Policy estimates that the current treatment system can handle 1.4 million drug addicts a year, while the need is at least to treat 2.5 to 3 million. Expanding treatment by \$300 million would yield treatment for between 100,000 and 150,000 patients depending upon the mix of outpatient and residential treatment approaches. Given that the population in question might be the harder more difficult cases, and the more intensive and longer residential treatment may therefore be needed, the lower figure may be the more realistic one. It is important to expand treatment because it is the humane thing to do and Americans are basically a humane people; and a very practical thing to do and Americans are a practical people. As noted, study after study estimate that a dollar invested in treatment generates savings of \$3 to \$7 elsewhere in the system. Funding for treatment has been a bipartisan failure. The Republican president under whom I had the honor to serve did not ask for adequate funds for treatment and the Democratic controlled Congress gave us substantially less than we requested. The reasons for this are not hard to come by: no one ever lost an election for being perceived as soft on treatment; many individuals, both ordinary citizens and policy makers believe that addicts are not worthy of public tax dollars for their treatment since they brought the condition on themselves; and, finally, there is the belief that treatment is largely ineffective. The last point has been addressed by the previous speaker and in regard to the second point, I should point out that, although it is certainly true that addicts played a major role in the development of their disorder, the same can be said for a number of other medical conditions for which we do not deny individuals coverage for treatment. The smoker who develops cancer of the lung or a heart attack, the diabetic whose lack of exercise and increased use of refined carbohydrates leads to an exacerbation of his diabetes, the hypertensive patient who fails to take his hypertensive medication, are all treated very differently by the medical and political system than the addict, and yet their contribution to their disorder may be equally as great. It is also true that, although there are clearly important volitional aspects in becoming an addict, once one has the disorder there appears to be significant changes that occur in the brain, making relapse likely and increasing the difficulty of staying off.

I should finally like to make an important point about treatment that usually gets overlooked. Involuntary treatment has been shown in a number of studies over the past twenty years to be about as effective as voluntary treatment. If the Social Security Administration had over these years been requiring addicts on their rolls to be in treatment, we would see fewer individuals on the rolls now than there currently are, rather than the large increase over the past few years. In fact, part of the problem of eliminating the current SSI funding totally for these patients is that one loses an important way of coercing treatment.

If one looks at the current system it indeed flies in the face of much of what we know about the nature of the disorder of addiction. First, addicts are not required to be in treatment for a minimum period of time before being found to be disabled. If one has not had a significant exposure to treatment, whether voluntary or involuntary, it is hard to know how severe the disability is. Once having received the disability award, there has been a failure to require treatment. There has been a failure to monitor the representative payee so that individuals don't simply receive the money to be used for drugs and alcohol. And, finally, the addict is punished for recovering by losing his/her disability payment. It is extraordinary that under these circumstances 10 per cent of the patients actually do recover and get off the SSI rolls. That is a remarkably high

number considering all the obstacles and roadblocks the system puts in the way of recovery by "enabling" in the truest sense. We need to be careful, though, that we do not punish these patients for the sins of the Social Security Administration.

**New Treatment Funds Should Not Simply Be Put Into the Block Grant, But Should Be Sent to States in Approximate Proportion to Their Percentage of SSI Addicts**

The Block Grant has been an excellent mechanism for making sure that every state in the country had a minimum level of treatment services for its addict population. It has accomplished a great deal of good and if money were not as tight as it is today, I would have no trouble suggesting that any new funds should go into the Block Grant. However, with money so tight and with a number of states having major shortages of treatment compared to other states, we can only afford to spend the money in the most targeted approach possible. This will also circumvent the problem that the various set-asides in the Block Grant decrease the amount of money available to be directed at the hard core addict, in many ways the focus of the SSI program. Thus, I advocate sending the money to the States in proportion to their percentage of SSI addict and alcoholic recipients and without any set-asides. These new funds States receive would then need to be concentrated on the hardcore addict and alcoholic, with individuals dropped from SSI rolls having first priority for any new treatment. States should engage in outreach activities towards such patients.

**The Need for Accountability**

Many of our states have significant financial problems. If the new treatment money is sent to the states without adequate accountability, there is a distinct likelihood that instead of expanding treatment, the new funds would be used to supplant existing state dollars. This would frustrate the will of Congress and fail to accomplish the longer term objective of the Committee. The addicts would remain a scourge to themselves as well as to their families and communities.

**Invest Some of the Savings in Research**

Although treatment works, it does not work as well or as often as we would like. The Institute of Medicine released a report this week entitled "The Development of Medications for the Treatment of Opiate and Cocaine Addictions." A strong case is made in that report about the need for more effective medications to improve our treatment record. The report points out that although Congress has authorized \$95 million for the Medication Development Division at the National Institute on Drug Abuse, it has only appropriated \$40 million. I would strongly urge the Committee to consider putting some of the savings into this Medication Development Program so that treatment can become even more effective. There are also promising behavioral approaches that new funds could be spent on that could improve our treatment efficacy. It is shortsighted for a country to not adequately fund its research and development aspects. As Joe Califano pointed out in his book "Radical Surgery," research in substance abuse receives only about 15 per cent of the money spent for research into AIDS, cancer and heart disease, and yet is a leading cause of these problems.

### Conclusion

There is no one treatment for addiction. A variety of approaches are needed, ranging from the self-help fellowships of AA and NA, outpatient counseling programs, methadone maintenance programs, and the residential therapeutic communities such as Phoenix House and Daytop, among other modalities. While no one treatment modality can treat all addicts or alcoholics, taken together treatment can accomplish a significant amount. However, as an example of the treatment shortfall, we only have approximately 110,000 methadone slots for up to 1 million heroin addicts and less than 12,000 residential treatment beds in the United States for all heroin and cocaine addicts. We need to expand both but especially need to expand this latter modality for the SSI patients, many of whom will need the long-term residential habilitation approach that these programs can provide. Treatment often needs to remedy the social, educational and vocational deficits that prevent these individuals from leading reasonably productive, positive and drug-free lives after treatment. It may also be necessary to remember that since our current treatment methods are not 100 per cent effective, some funds may be needed for long-term domiciliary care with minimal treatment for those individuals who have tried and failed our more intensive approaches.

I should like to close by noting that, although this group of patients frustrates you, frustrates your constituents, frustrates the treatment and research community, it is very important to remember that they are also our sons and daughters and brothers and sisters and indeed parents. While the current program that you are planning to cut is seriously flawed, it is important that any savings realized be used for more effective approaches toward these individuals. Otherwise I would urge you to instead keep the program and improve it rather than close it.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman. I would like to thank the witnesses who have testified. Let me see if I can follow your scenario. What about the Medicaid benefits of these drug addicts and alcoholics who are receiving SSI, is it helpful to drug treatment in rehabilitation programs?

Dr. KLEBER. Absolutely, yes.

Mr. FORD. The two of you have suggested that we would block grant it and send those funds into the States for treatment in preventive measures and for the DA&As.

That would mean that in many cases, if not all, that they could very well lose their Medicaid benefits if they were not receiving these SSI benefits.

Would that have an impact on the treatment and preventive measures of DA&As?

Dr. KLEBER. I would recommend that you permit individuals currently on the rolls to retain their Medicaid benefits for a time-limited period, let's say, up to 3 years. I think that that could handle the current recipients.

My hope is that by then we would have actually expanded treatment, and I think it is very important to annualize those savings. It is not good enough to simply do it on a one-shot basis and then not give any more or cut it back the next year. If we continue the treatment funding, then I think a lot of the need for Medicaid for these patients will no longer be there.

Mr. FORD. Let me say, I don't think we ought to be giving benefits to people who will be using those benefits for the purposes of buying drugs and alcohol. I am totally opposed to that. But I am trying to follow what the two of you have testified on.

Are many of these SSI recipients that we are talking about, afflicted with disabilities other than these drug and alcohol problems?

Dr. SATEL. Yes, they do. I have seen estimates as high as 60 percent. That means that, independent of the addiction, these people would qualify for SSI based on another disability, one that isn't necessarily alcohol induced.

It may be a mental disorder, a serious mental disorder like schizophrenia or some other kind of physical problem. So in that case, our comments wouldn't apply. These are people who would qualify anyway if they are currently in the DA&A Program and will probably be reclassified.

Mr. FORD. Some suggest that about 50 percent of these SSI recipients would have other disabilities that would qualify for SSI, like drug addiction or alcohol problems, but because of the other disabilities that they might have.

Dr. SATEL. They would qualify, but it is important to recognize that most disabilities are worsened by a comorbid addiction.

Mr. FORD. I am not making that argument. I understand. What about Senator Cohen, you worked in Senator—I think it was—

Dr. SATEL. I worked with Senator Kassebaum.

Mr. FORD. Senator Cohen sponsored an amendment limiting the time that these addicts could receive SSI, which I think was 3 years. He also said right after the passage of that amendment, "Oh, gee, looks like I made a mistake without requiring them to have



some type of treatment and some type of, I guess, supervised treatment and all." It might have been a mistake him offering that amendment to cut it off after 3 years. You worked on the Senate side.

Can you respond to Senator Cohen's—or do you agree with Senator Cohen's statement after he passed his amendment?

Dr. SATEL. I applaud what Senator Cohen did last year.

Mr. FORD. What about his statement after he passed the legislation. And he indicated let me see, I want to quote him correctly, but I think—go on and respond to the first part.

Dr. SATEL. Sir?

Mr. FORD. He reversed himself and said that he thought we had gone too far by cutting off individuals after 36 months whether or not they had received treatment.

Dr. SATEL. What I think he might have been referring to was that he wanted the 3-year clock to start when treatment became available and a person entered care.

Mr. FORD. He reversed himself—a bill came out of the Conference Committee, Senator Cohen reversed himself and said he thought he had gone too far by cutting off individuals after 36 months. I am not in disagreement with the 36 months or the time limit that we are talking about.

You worked on the Senate side, and I am just trying to get your response, since you have had that opportunity to be a fellow on the Senate side, and use your expertise over there.

Dr. SATEL. My response to what Senator Cohen did last year would be to say that he essentially introduced this topic. I think he made major gains with two important features of the Cohen amendment. One was to get the money directly out of the hands of the recipients and then to try to ensure that they enter treatment and comply with it.

At that time, in my opinion, the political climate was receptive for scaling back on a disability entitlement for addicts and alcoholics.

I think now there is greater receptivity to abolishing this benefit outright and to investing in treatment.

One of the provisions in the Cohen amendment was that people who had secondary—in other words, had addiction and a primary disability, that these people would not be subject to a cutoff but they would be required to be in treatment and have a payee. That didn't make its way into the final bill but I think that is an important—

Mr. FORD. You like that concept of a payee when we have seen that liquor store owners and drughouses might be the payee in many of these cases where you have these addicts of drug and alcohol?

Dr. SATEL. I am talking about another primary disorder, which would qualify them independent of addiction and so they would be getting the money anyway. These are people with a primary disorder, let's say schizophrenia, and they are also an alcoholic. Right now they get their money with no protections if they qualify under another physical or mental disability.

Mr. FORD. In most of the patients that you have treated there at the university, have they been fairly young people?

Dr. SATEL. I work mainly with drug addicts and they tended to be younger than alcoholics at the VA where I worked.

Mr. FORD. The drug addicts, are they the least treatable?

Dr. SATEL. Are they mostly treatable?

Mr. FORD. Less treatable.

Dr. SATEL. They are the group I described; the hardcore individuals. You do see relapses. Some patients have a treatment career and they do well for periods of time, they may relapse, reenter treatment, and do well for a period of time, perhaps relapse again.

Over time the social cost imposed on society does decrease. As I mentioned, treatment accelerates this decline, and it also steepens the slope of that decline in terms of social cost.

Mr. FORD. This is my final question. If we block grant these funds to the States, don't we run some danger with the States allocating the resources to areas that we might not be able to really bring back that younger generation that might be able to be saved versus the hardcore drug addicts that will have these relapses over and over?

Dr. KLEBER. We face a dilemma. Either this program is going to have to markedly expand or it is going to have to shrink. We have 2 million cocaine addicts. We have close to three-quarters of a million to a million heroin addicts, and somewhere between 15 and 18½ million alcoholics and problem drinkers.

I don't know what percentage of them——

Mr. FORD. All in America?

Dr. KLEBER. I am sorry.

Mr. FORD. All in America?

Dr. KLEBER. Yes. I don't know what percentage of them would qualify for SSI in terms of the work requirements and the disability. My guess is that under the way it is being applied, probably a substantial number eventually might qualify.

And I believe that if you think 90,000 to 100,000 on SSI is a lot, you might find the number substantially in the millions. So we need to figure out a better way to address this population than the current program.

Now, in response to your last question, are all of them treatable, absolutely not. I wish they were. Our current state of knowledge does not make it possible to treat all addicts or all alcoholics.

I would say that under the best of circumstances, with good treatment, we are still going to be left with an irreducible core of at least 20 to 30 percent of these individuals who don't respond to intensive treatment.

I think what we do with those individuals is you invest in low-cost domiciliary kinds of arrangements that at least provides them some protection. Any government money for treatment goes into the domiciliary rather than going to the individual themselves to be spent directly for their drug abuse.

Mr. FORD. Mr. Chairman, please just bear with me for a final question. Where do they live? Probably we are not able to treat them. Where do they live? Are they in some type of institutional type care, or——

Dr. KLEBER. You are talking about currently?

Mr. FORD. Currently. Where would they live? The ones most likely not being able to find treatment, or least likely to be treated to cure their disease. Where do they live? Where is their shelter?

Dr. KLEBER. That depends very much on whether our current legal system continues to permit addicts and the mentally ill to die. What we find is many of the homeless in the streets of New York have mental disorders and substance abuse disorders and in the past would have gotten——

Mr. FORD. Who houses them? Are they institutionally housed, or what?

Dr. KLEBER. Some are. Some live in single-occupant hotel housing. Some live in these kind of domiciliary arrangements. There is a whole variety. Some choose and have the legal right to choose to be on the streets.

Mr. FORD. Thank you, Mr. Chairman.

Chairman ARCHER. Thank you.

Ms. Dunn, you can inquire. We are not enforcing the clock since there are only three of us here.

Ms. DUNN. I am sorry I missed your testimony, Dr. Kleber, and I feel at a disadvantage not knowing what was asked of you before. Let me give you my basic problem with this whole thing.

I talk to citizens in my district all the time, and every now and then the appalled question comes to me: We have just learned that alcoholics and drug addicts have been declared disabled and are able to claim a large amount of cash each month under SSI.

Can you please help me? How I am going to answer this question?

I did hear Dr. Satel's testimony that it was more cost effective to be handling them that way. I guess what I would like you to do is just bring all your thoughts together so that I could either come up with a justification or if I could come up with some sort of way we could improve this situation.

These are folks who work hard to make a living and they simply feel that to qualify such people as disabled is ludicrous. I mean, this is the kind of question I face.

Dr. KLEBER. What I argued in my testimony was that money should not be spent on direct cash payments to the individuals under the SSI DA&A, but instead should go to the States where it is most needed and provide treatment and long-term domiciliary care for these individuals rather than direct cash payments to them.

So I don't think I have a quarrel with many of your constituents. I am not going to defend that, because I think that it is hard to defend, and I believe, as I said a few minutes ago, if we continue it the way it is, we will think that 100,000 is a very small number of individuals on the rolls. We will look back to 100,000 with nostalgia just like earlier we looked back to the 17,000 in 1989.

Dr. SATEL. I agree completely. As I mentioned in my testimony, I think the program should be abolished. Money should go into treatment.

I think the whole philosophy of considering addiction a disability gives these patients the message that they are disabled, when in fact the message we have to give them is that you can—at least

you can try with help to become functional. And that is through treatment.

So I would agree and I share the surprise of your constituents. I was surprised when I first heard about this program.

Ms. DUNN. It really is shocking, especially for people in the rural areas of my constituency who don't have an extra dime, that they are expected to be paying hard-earned tax dollars for such programs.

I am glad to hear your testimony. I really appreciate it. I will read it with interest.

Thank you, Mr. Chairman.

Chairman ARCHER. Thank you, Ms. Dunn.

I would like to ask both the witnesses, what is the percentage of success that you are getting? I know it is disappointingly low in all areas of drug treatment.

Dr. Kleber, what percentage are you seeing across the country?

Dr. KLEBER. Unfortunately treatment success depends to a great extent on the resources that you bring to it.

Chairman ARCHER. Let's start with nonresidential treatment.

Dr. KLEBER. It isn't just the modality; it is the person entering that modality. So that if you treat a lawyer, a business executive who is a cocaine addict, in my experience one should have 75 to 80 percent success.

If you treat a blue collar worker on the line who has some family support, vocational skills, success rates of between 40 and 60 percent have been generated.

Chairman ARCHER. The population that we are talking about, the person receiving SSI.

Dr. KLEBER. If you are looking at the SSI population, probably the most optimistic that I have seen, for example, in the program that Dr. McClellan runs at Pennsylvania, the VA, for inner-city crack addicts, he is getting 40 percent success.

Chairman ARCHER. In nonresidential treatments?

Dr. KLEBER. This is day. They come in 5 days a week, 6 hours a day, and with that kind of intensive treatment over a period of months he is getting 40 percent abstinence.

Chairman ARCHER. And they return to their neighborhood?

Dr. KLEBER. They are living in their neighborhood. They are out-patients. They are living in their neighborhood while they are undergoing treatments.

Cocaine is a more difficult problem to treat right now than heroin. And I don't know the percentage of individuals on SSI who are there for heroin versus cocaine. Well-run methadone programs should be able to treat successfully anywhere from 40 to 80 percent of these individuals.

We have a variety of modalities there. Therapeutic communities, 80 percent of the people who graduate do not return to drug abuse. Unfortunately, only about 30 percent graduate. So we are talking about 25 percent.

But what you are talking about is a single treatment episode. Gradually you chip away, chip away, chip away, so that you may only get 25 percent successfully treated the first year. The next year you begin to chip away at that 75 percent. The following year you continue. So at the end of 5 years you have made substantial

progress and you are at where I said earlier, that about 25 to 30 percent of the individuals are still the chronic recidivist that people think of as the alcoholic or the addict.

Chairman ARCHER. What is the cost of that population, the SSI population receiving treatment? What is the total cost of treatment and the duration of treatment?

Dr. KLEBER. Are you talking about in the United States or just for the SSI population?

Chairman ARCHER. The SSI population. Approximately.

Dr. KLEBER. Well, if they were all in treatment, that is, if there are 100,000 individuals, and they are all in treatment, and there is a mix, that is, some were in outpatient, some were in residential treatment, outpatient treatment could cost as little as \$3,000 a year. Residential treatment costs somewhere between \$12,000 and \$20,000 a year.

So depending on the mix of programs that you have, you might average around \$6,000 or so per year for that individual. But hopefully each year they don't need to stay as long in the residential program. Each year more and more of them get successfully treated.

Even if they don't—for example, the Rand study found that \$1 invested in treatment was worth anywhere between \$7 and \$20 invested in law enforcement kind of activities, even assuming only a 13-percent success rate at the end of 1 year. So even with very low assumptions about success rates, you can still generate considerable savings.

Chairman ARCHER. Your figures are much more optimistic than what I have heard in the past.

Dr. SATEL. Would you like to comment on any of those comments?

Dr. SATEL. It is also important to keep in mind the window of assessment when you examine these studies.

I just want you to keep that in mind. That may be why you have heard some less encouraging reports, because perhaps 12 months later, the 40 percent who seem to have done well at 6 months may have dwindled to 30 percent.

Chairman ARCHER. Were you involved in the Philadelphia program?—I know you are a professor at Yale.

Dr. SATEL. Yes, I am a visiting professor there.

Dr. KLEBER. Although that 40 percent may have dwindled to 30 percent, you have also begun to successfully treat the 60 percent that you have failed with the first year. So it is a dynamic kind of situation.

Dr. SATEL. I was just going to add, that is a good point, because those 60 percent now have an attachment, a familiarity with the treatment system, and that makes it much easier for them to reenter when they start getting into difficulty next time. This way, they don't have to descend so far down into the spiral of deterioration.

Chairman ARCHER. Dr. Kleber, you heard Dr. Satel speak of the fact that she notices that the dropout rate in drug treatment increases when the SSI check starts. I don't recall you testifying to that in your testimony. Do you have any comments on that or experience with that?

Dr. KLEBER. Addicts are no different than the rest of the population, only more so. Without being frivolous, I could probably ask

people in the audience, when was the last time they gave up something pleasurable. You have drugs being pleasurable and you now have a guaranteed income being pleasurable. That is putting a heavy burden on these individuals that the reward for giving up the drugs, which many of them find pleasurable, is to lose your guaranteed income.

I would submit that is something that in the treatment field we find works against us. It is the problem with the VA system, where if you come into the hospital, your disability payments increase. There is an incentive to be disabled. And that makes it very hard to at times get people to remain outpatient and to continue to do well.

When you put disincentives in front of individuals who may be marginal at best, that is, who may never be able to make much more than someone above the poverty line, and then you say they can have that much without working, that is a real disincentive to give it up.

Chairman ARCHER. Thank you. Thanks to both of you—

Mr. FORD. Mr. Chairman, just one more thing. What about on the medical side? Would that be true if we would turn this money over to the States to block grant it, would you medical professional people continue to treat them because the money will continue to flow?

Everybody has habits. It doesn't have to be addicts. What about you professionals?

Dr. KLEBER. I don't know that I understand the question.

Mr. FORD. Would you do the same thing, receiving all these dollars in the block grant program for treatment, would you continue to treat them and never let them get well because the money is flowing in?

Chairman ARCHER. I hope the gentleman isn't suggesting they are going to run out of addicts.

Mr. FORD. I am not suggesting. He was indicating addicts are going to continue their habit. They are not going to remove themselves from the SSI Program.

Now, if they are suggesting that we block grant the program, what about the professionals? Are you all going to let the money just continue to come, continue to treat those patients over and over, never let them get well?

Dr. KLEBER. I think you need accountability, both at the State level and at the treatment level. There is no question in my mind that you have programs out there that are not doing as good as they should.

Let's just take methadone for one example which has probably been the best studied. A recent study showed that looking at six programs, the best program, 90 percent of the people are no longer using illicit drugs after 2 years. And in the poor program, only 40 percent.

One of the things we advocated when I was at ONDCP was that programs be monitored by the States and that programs that did not do an adequate job of treating their patients be given technical assistance, and if they did not get their performance up to the better programs, that the funds would be taken away and given to other programs.

So I share your concern that there may be providers in programs that do less than optimal work. And I think they need to be monitored too.

Chairman ARCHER. Thank you.

I don't recall the witnesses using the word block grant. I don't think that was within their testimony. I did recall Dr. Satel saying that the moneys could be better spent, instead of giving it to the recipient in the form of SSI, it could be used for treatment, and to put the people in treatment programs. That is the testimony that I heard. I don't recall any—

Dr. KLEBER. I did not.

Chairman ARCHER [continuing]. Either one of you referring to the question of block grants.

Dr. KLEBER. I did not want the money to go back to the States in the form of block grants because then States with a need not as great would continue to get funds where States with the greatest need don't get adequate money. So I want a means test for States. That is what the Capacity Expansion Program is all about. The States that need it most would get it.

Chairman ARCHER. This area is going to be extremely complicated. It is one that we are going to have to be working on in cooperation with some of the other committees, particularly if we are going to transfer money from one area into another.

But I do think there is very strong sentiment on this Committee, and I certainly feel this way, that we have got to do something about the moneys that are being paid out to addicts. It is absolutely ridiculous and it makes no sense to pay people to retain their habits and continue to break the law as they do today.

That will conclude today's hearing. We almost made 3. I appreciate particularly this last panel sticking it out with us through the afternoon.

We will convene at 12 noon in this room on Monday for a continuation of our hearings.

[Whereupon, at 3:05 p.m., the hearing was adjourned, to reconvene at 12 noon, Monday, January 30, 1995.]





# WELFARE REFORM

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MONDAY, JANUARY 30, 1995

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON HUMAN RESOURCES,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 12:15 p.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

Chairman SHAW. We will bring the hearing to order and the opening statement by the majority side will be given by Mr. English of Pennsylvania.

Mr. ENGLISH. Thank you, Mr. Chairman. This morning I would like to welcome our witnesses and guests to today's hearing, the fifth in our series of hearings on welfare reform. Today we will hear from a long list of Members and public witnesses, including Florida Governor Lawton Chiles, two U.S. Senators, 37 Members of the U.S. House and 1 State representative. We will also hear from a very distinguished panel of religious leaders.

Interest in welfare reform has been so great that the Subcommittee has added another day, as I understand it, this coming Thursday, February 2, to accommodate the many requests to testify that we have received. Five Members of Congress and 71 public witnesses are currently scheduled to appear before the Subcommittee on Thursday's hearing, which I would note will begin at 9 a.m. in room B-318 of the Rayburn House Office Building.

We are excited by the tremendous interest in welfare reform. There is an enormous amount of work to be done and no single group or committee can have all the answers. We face an enormous challenge in fashioning a mainstream welfare reform proposal that addresses the acknowledged systemic problems with many existing welfare programs.

That is why we are delighted to hear from so many different voices as we develop the details of our legislation. Hopefully we can all agree on our common goal, that is, to create a welfare system that rewards work, reduces illegitimacy, and helps families get out of poverty.

Without further delay, Mr. Chairman, I would like to turn this back to you to introduce the panel.

Chairman SHAW. Before I do so, I would like to recognize Mr. Gibbons for an opening statement.

Mr. GIBBONS. Thank you, Mr. Shaw. I regret that Mr. Ford cannot be here today, and I am not substituting for him. I am an ex-officio Member of your Committee, as you perhaps know.

This is a very important subject. We are talking mainly about what we do about children, because four-fifths of all the people on welfare are children, and we are talking about what we do about work, because work is broadly seen as an antidote, a cure to the problem of welfare and dependency.

We are talking about what should be done to enforce parental responsibility to the child, mainly by scofflaw or runaway dads, about establishing paternity, about discouraging out-of-wedlock births. These are all not only high profile financial issues, but they are extremely high profile social issues.

I think, Mr. Chairman, we are blessed today to have the Governor of Florida lead off the public witness list. I have known him for almost 50 years. He is a humanitarian. He is a no nonsense public official. He has had experience at the State level, then here at the Federal level where he had served for 18 years, I think, as a U.S. Senator and as Chairman of the Senate Budget Committee, and he has had a distinguished career as Governor of Florida.

Florida, as you and I know, Mr. Shaw, is the third or fourth largest State in the Union with unique problems because of growth and unique problems because we have a higher cyclical rate of change and status of such factors as welfare, and so I personally want to welcome you, Governor Chiles. I am sure Congressman Shaw wants to welcome you too, and we look forward to a very productive hearing today.

Chairman SHAW. Thank you, Mr. Gibbons. It is with a great deal of pleasure that I introduce the first panelist today. I don't go back with Lawton Chiles quite 50 years, but I remember first hearing of him as this legislator who seemed to think he could be elected to the Senate by walking the State of Florida without much money. That was such a unique idea that I think that it brought a lot of attention to an underfunded campaign. I might say underfunded in dollars perhaps, very generous in enthusiasm, and one which led to a long successful career in the U.S. Senate.

During the time that I have known Lawton and worked with him as both mayor of the city of Fort Lauderdale and then later as a new Member of the House of Representatives, I have always found him to be very open, nonpartisan in nature and working hard on the problems within the State of Florida. He was a real team player. Now I know him as a Governor who as one of the more progressive Governors, has led the way in welfare reform, giving waivers and setting an example, an experiment in Florida, which I am sure he will share with us today.

So with that, welcome to the Committee, Governor, and take as much time as you so desire.

#### **STATEMENT OF HON. LAWTON CHILES, GOVERNOR, STATE OF FLORIDA**

Governor CHILES. Thank you, Mr. Chairman, Members of the Committee, and my good friend, Sam. I am delighted to be here today and have this opportunity.

Mr. Chairman, I want to take this opportunity of congratulating you. You have worked long and hard in the vineyards toiling as a Congressman and having an opportunity now to chair this Committee at a very important time, I think that is wonderful. I think it

gives an opportunity to highlight your experience and the time that you have spent. It is kind of interesting that you are at first command with welfare reform. In a sense, they may have put you in command of the Titanic, but I am sure that you will do well.

This is a subject that, if it was easy, it would have been done a long time ago. I have a statement and I know that statement will be submitted. I just want to make a few observations and then answer any questions that you might have.

Florida recognized, like many States, that we had to do something about welfare reform. As we looked at our goals of temporary assistance to the poor, we saw that our Aid to Families with Dependent Children caseload and Medicaid were just eating up all of the moneys that we had and certainly taking a lot of the Federal dollars as well.

Florida embarked on a bipartisan bill to really look and see what we could do with welfare reform. I think that we initialed one of the largest demonstration projects in the Nation taking two counties, both having an urban and rural population, and putting one of them into a voluntary experiment in effect, or program, and the other in a mandatory program. They are Alachua and Escambia Counties, and we have been running them for a period of months now.

It is pretty clear the mandatory one is working much better than the voluntary one. It is also clear that where you take the steps to allow women primarily, but heads of households who are not working, access to some job training, to counseling, to substance abuse treatment, held in meeting other needs, and especially day care and health care and to learn how to interview for a job, major things can be accomplished.

In 8 months, with over almost 1,400 people in the Escambia experiment, 20 percent of those are off AFDC now, making above the minimum wage, and it is pretty obvious that some real things are happening there and we think that certainly can be duplicated.

We are going to put five more counties in, or asking the legislature to allow us to add five more counties this year. They will be urban and rural, and we would like to go further than that. What we are finding in our program though, is that there are some front-end costs. If you are going to say we are going to allow you to keep your day care, and your health care as you transition off of this program, and if, in addition, we are going to provide some job training, counseling and other things that are necessary, there are some realistic front-end costs. I think that this being as serious a problem as it is, and recognizing what our costs are now, we are all confronted with paying the back-end costs of not doing something earlier. Consequently, we are faced with a permanent class that is now generational, and everything that brings with it.

So recognizing what is happening here, that welfare reform is moving, but also the balanced budget provision is moving and the Contract is moving, I hope this Committee, and I hope the Congress, will look at what are the steps necessary to allow the States to be able to accomplish welfare reform. My fear is that in order to meet the goal of one of these other things, you keep us from being able to do that.

That is my concern, and that we recognize that States are not monolithic. Florida happens to be one of the growth States. One of the proposals I have seen floated where you would have a capped block grant would just kill us in Florida because we are a State that is taking additional population at all times and that fact needs to be recognized.

But I think what we can say is that the States ought to be held accountable. You shouldn't give up all of your authority and all of your money without having a way to account for that. I think that is very important, but at the same time, we recognize the need for greater flexibility, while agreeing there are certain things that ought to be a part of any solution. That is anything from deadbeat dads to teen pregnancy, to having some kind of a time cutoff.

All of those things, I think, are necessary. However, I think if we do not allow the States to be able to make those front-end investments which are necessary if you are going to truly accomplish something toward the goal of reform, then I think we will only be going through an exercise. In the end, if we cut off funds, that will only give the illusion of welfare reform.

If we choose that direction, get ready to pay some more dollars on the prison end. Get ready to pay some more dollars on some of these other ends, because I think that will be the result. I would hope that we would treat children and women in a way that recognizes that they are as valuable as defense to our country. They are as valuable as senior citizens. They are as valuable as any other group that we are going to try to deal with, and perhaps more vulnerable because in many instances, less able to help themselves.

Let me just stop there and see what questions you have.

[The prepared statement follows:]

**TESTIMONY**  
**of**  
**The Honorable Lawton Chiles**  
**Governor of Florida**  
**before the**  
**House Ways and Means**  
**Subcommittee on Human Resources**  
**January 30, 1995**

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to be with you today and bring you Florida's experience in reforming our welfare system.

It is a system that made no sense at all because it provided the wrong kind of incentives -- negative incentives -- that kept people locked in a cycle of dependence.

That's why we made a commitment for common sense to be our benchmark in Florida's landmark reforms.

In so many individual cases, inability to deal with simple logistics became the problem that prevented people from reaching independence -- and a real job.

Let me explain by example:

A young Florida mother of two was a full-time student, working part time and in need of assistance and child care, especially after the breakup of her marriage. Under the existing system, we would not have been able to meet her special needs -- and she would have remained dependent on it.

But under Florida's Family Transition Program, she COULD receive assistance and crucial child care services. As a result, she has been able to get her degree. Now, she's currently employed, making \$8.00 an hour. She had been on AFDC for 18 months.

In 1992, the leaders of the Florida Legislature and I began a joint effort to make the welfare system in Florida more practical. This effort began with the creation of a Commission representing the private and public sectors which studied the problems associated with welfare dependency. For one year, the members of the Commission traveled throughout the State holding hearings and visiting with welfare providers and recipients.

The Commission then made recommendations centered around eliminating the penalties for going to work and encouraging self-sufficiency by our participants. These recommendations became the basis for the 1993 Family Transition Act, which the Legislature approved in a bi-partisan fashion.

The Family Transition Act's basic foundation is that assistance is time-limited -- a transitional benefit to aid the recipients in becoming self sufficient. To achieve these goals for our diverse population, we established aggressive pilot programs. They include elements of job training and placement, child care and other services which help remove barriers that have traditionally been an incentive for the recipient to stay on welfare.

We have learned that our reform model requiring participation -- rather than one seeking volunteers -- is showing more impressive results. Helping people by setting goals they CAN reach -- with assistance to succeed -- makes all the difference.

I am very pleased to report that the Family Transition Program is working -- as early results show that many of our participants are working. Floridians are living the lesson that welfare assistance should be a ladder to independence -- not a permanent life preserver. Let me give you some other real examples.

Another young mother moved to Florida from another state where she had been receiving AFDC. Her immediate need was child care. The Family Transition Program provided child care services and helped her with her resume, job search and interviews. As a result of the cooperation

of many providers within the system, she is now employed by the Child Support Enforcement program making \$7.47 an hour. It is important to note that she was never on the traditional AFDC in Florida, but rather received transitional aid to employment under the Family Transition Program.

There are many similar examples where practical barriers kept young women from even searching for employment, let alone gaining a job. Consider a young mother of two who is making \$120 a week and is faced with paying \$90.00 a week in child care. She simply cannot do it. The incentive is to stay on the dole.

In sharp contrast, the Family Transition Program is providing the basic essentials for her to be free to search for employment and to become self sufficient.

Often, the key to success is child care. Other times, the essentials may be helping with resumes and job search, or meeting a transportation need. But the overriding yardstick of our successful program is simply COMMON SENSE.

I am especially concerned that many welfare mothers have stayed on AFDC in order to have health care. The linkage of medicaid eligibility with AFDC has forced many women to stay on welfare, to provide health care for their children.

Under the old structure of AFDC, Florida providers probably met with a recipient 3 or 4 times a year with little opportunity for creative counselling or direction to the participants. Other times the barriers of child care and transportation were not even discussed. The incentives were negative and people remained on welfare. The federal structure was rigid, tight and provided little incentive for creativity and individual attention.

Under Florida's Family Transition Program, the participants are provided counselling and special attention. Now, we ask the right questions: What do you need to go to work - child care, job training, or maybe transportation?

William Booth, of the Washington Post, recently wrote a story about the new Florida Program. He cited one case in which a car battery was the main obstacle that prevented a woman from working. The Florida program helped her get a battery and she is working today.

Common sense, Mr. Chairman. We are striving to provide common sense with assistance in Florida, but it is a struggle. It is a struggle because we have to be flexible enough to meet the diverse needs of our population.

Florida's program must respond to unanticipated events affecting recipients' ability to move toward independence. Even if they plan their budgets down to the last dime, an unexpected illness, a home repair, or even a dead battery can be disastrous to their progress. The Family Transition Program is attempting to anticipate those needs -- and effectively react.

This flexible ability to respond at the state level must be strengthened by a similar consideration from Congress.

Governors of individual states are the chief providers of services to people. Like the Head of a household, I cannot anticipate every factor that might affect my ability to provide.

I must be able to respond when a recession affects my people. I must be able to provide when a major plant or military base closes -- or a company relocation leaves thousands in my State unemployed. I must be able to provide when a calamity with the punch of hurricane ANDREW, or devastating floods or some other catastrophe expands my assistance population in a matter of minutes.

I call this to your attention because of a critical concern. Budget restraints, balanced budget goals and desire for reform may tempt Congress to level-fund so-called block grant initiatives -- and any quasi-entitlement programs -- or even to induce cutbacks, in the next 5 years. I have a little knowledge of the federal budget process and when Social Security and defense are off the chopping block, I know where the remaining big dollars are located.

These federal service programs must be held recession-proof or failure of the system is inevitable. Yes, I want flexibility but I am concerned that you might be compelled to place a hefty price tag on the elimination of the red tape, and leave the states holding the bag. That would be a disaster - one you can avert.

I want more leeway from the Federal government to be able to adapt the assistance to my residents' real needs. After all, as you well know, Mr. Chairman, a welfare family in Florida is very different from a welfare family in Iowa.

But this isn't to say Florida wants a separation or a divorce from the federal government. I don't even want a divorce with a generous alimony. I want a partnership -- a marriage, if you will -- with the federal government. Each partner brings talents, responsibilities and concerns to the union. And, most importantly, each of us in this partnership must provide for our children.

Working together, we **MUST** pledge that whatever structure is devised, children must be protected.

I know this is a difficult charge. The children are at the heart of the tough decisions that must be made when proposing transitional assistance.

What do you do at the end of the benefit period -- when a job is not yet found?

This is the point where I believe you must trust the states with flexibility to deal with each individual. A caseworker must be able to determine if the client has played by the rules and should receive a "grace period" if a job has not yet been realized.

At the same time, the caseworker must be able to terminate a participant's assistance if they haven't played by the rules and are not working for self sufficiency.

But, this is where the children must not lose our focus. If the mother loses her benefits or job, who will care for the children?

There **MUST** be a safety net for the children.

We cannot throw the kids out on the streets - or into orphanages, for that matter.

There must be an effective process in place to protect the children. I agree with the subcommittee's contention that the focus is care for the child . . . not a blank check for the mother.

One last note, Mr. Chairman, too often we place the full blame and burden on the mother. I strongly contend that as you address welfare mothers, cheats and such, you must also address the "dead-beat Dads." Any welfare reform must be accompanied by stricter standards of child enforcement laws. Fathers must be responsible for their children and the government can help that to happen.

**This is the just position and the fiscally smart one. Fathers who won't face their own responsibility must be made to face the consequences.**

Again, I appreciate the opportunity to be with you and look forward to working with you towards real and effective welfare reform. Let us be guided by common sense and strive to make the system one that provides a **hand-up to independence**, not a handout for life. Florida's experience demonstrates it **CAN** be done.

Thank you.

Chairman SHAW. Mr. Gibbons, would you like to inquire?

Mr. GIBBONS. Yes. Thank you for a good statement, Mr. Governor. I want to ask you two different sets of questions. One, the experiments that are going forward in Florida, you mentioned Escambia and Alachua, Escambia being Pensacola. Is that the mandatory program?

Governor CHILES. Yes, sir, that is the mandatory.

Mr. GIBBONS. And what does the State mandate in that?

Governor CHILES. Well, the State mandates that the recipients have to be participants of AFDC to be in that program. The State also has a 2-year cutoff in that program. There is a waiver for up to another year if the participant did not have a high school diploma and depending upon how unskilled they were.

That, again, is part of the waiver that we have. Basically the people that are on AFDC are placed into that program and they have to participate in that program. But, as part of that program, they do get the right to keep their day care for a period of time, subsidized day care. They have a right to keep their health care. They get some of this help.

Now, in Alachua County, they get those same rights, but they are not mandated to participate, and it is interesting. We have 145 volunteers enrolled in the Alachua Program and 1,389 in Escambia.

So I think it is hard to say to these families with their circumstances, here we have got something great, would you like to participate? I think at some stage you say you are going to participate. As we continue into the five other counties, I really would like to keep Alachua voluntary. I think it is a good measuring stick and maybe lightning is going to strike and a lot more people will want to sign up for that program. Right now there are not as many.

Mr. GIBBONS. What is the difference in the cost where you mandate people to go in there? Are you saving money initially or are you losing money initially or—

Governor CHILES. No. It costs us some money early on to put this program in. That is why I am asking for five more counties now, because through certain reductions in our caseload of AFDC, I found the sort of savings to do that. Still, there is some cost to it on the front end.

Ultimately, I think there are tremendous savings over a period of time. That is, again, why I am a little concerned at certain of the propositions that I hear coming out of here. If we were not able to give transitional health care and day care, then what you have instead is a draconian thing of saying you are going to do something in 2 years or all your benefits are gone. Yet, you are not providing the resources to help them do that.

What mother worth her salt is going to risk leaving a program that gives her and her family health care and support to go work in a minimum wage job where she can't get it. Now, maybe you could put the ax out there and say you must do it, but I think you would find children would suffer.

Mr. GIBBONS. Relying upon your experience here as a Senator and head of the Budget Committee and as Governor, we hear all this talk about making welfare not an entitlement, and then we



hear other talk about making it an entitlement for the States to receive the money but perhaps for the States not to have to meet the entitlement requirements as far as the individual is concerned.

What would be your advice to us on this issue of entitlement?

Governor CHILES. Well, my advice in the face of what I see as the proposed constitutional amendment is if you say we are going to balance this budget in  $x$  number of years and we are not going to cut defense and we are not going to cut Social Security, but we think we will remove this entitlement on AFDC—we don't need that anymore—I think you are spelling disaster to me as I try to implement welfare reform in my growth State.

The Governor of Michigan has a plan that he is perfectly satisfied with. As I look at that plan over the last 5 years, he makes money under that plan. Florida would lose billions of dollars, would have lost billions of dollars under that plan.

So what I am saying is, I have a hard time—I feel like children are as entitled as seniors, and I think if the Federal Government says no entitlement, I think the Federal Government is making a statement that we don't care that much about children.

Now, if we are going to remove all entitlements, fine. I don't know whether there is the political will to do that or not. I doubt there is. But, just because children don't vote, I would hate to see them be the ones who get sacrificed in this.

Mr. GIBBONS. Thank you, Governor.

Chairman SHAW. Mr. Collins.

Mr. English.

Mr. ENGLISH. No questions, Mr. Chairman.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Welcome. Let me pick up from your last comments. In your testimony you say, after you spell out what I think is so important, the need for much more flexibility, you say, "But this isn't to say Florida wants a separation or divorce from the Federal Government. I don't even want a divorce with a generous alimony. I want a partnership, a marriage, if you will." I take it you mean a different kind of marriage than we now have with the Federal Government.

I think you responded to Mr. Gibbons in part spelling out the national interest, but from your experience as Governor of Florida, what is the national interest in these programs? I mean, why should there be a Federal/State partnership at all? Why not simply leave it to the States?

Governor CHILES. Well, I think there is a national interest in having a strong viable economic base for the country. That means that you have to have a work force. That means that you have to have an educated work force.

I think there is a national interest in not having an underclass that is locked in, has been locked in for generations, which has been growing, and we see that growing. I think all of that is very much in the national interest. If you wanted to say we are going to open the spigot and let you have the money and do it your own way, sure, we will take that. But having the funding set at the other end, I don't think that is doable either.

But I think there is a national interest in saying we are going to have healthy children, that we are going to allow all of those

children to have a chance to be productive citizens. We can't afford to have the underclass. It is becoming a drag in human and social terms. It is now costing us so much, and the mere fact that you say we are going to quit giving some entitlement to them does not mean that it goes away and does not mean that the expense of that goes away.

It will show up in all kinds of other different problems. It doesn't go away. I think that we are seeing, not only from what Florida is doing, but what some other States are doing, that if you offer that leg up, and if you give that mother the incentive, the know-how, the ability and all, she likes to be productive. She doesn't particularly enjoy what she is doing now, and you couple the carrot with the stick, and we certainly recognize that you have to do that. Isn't there as much a national interest in that than there is in defense, than there is in taking care of our seniors? I think there is.

Mr. LEVIN. Thank you.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. No questions.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman. I just have a real quick question for you, Governor.

You mentioned about accounting for population, Florida being a very fast-growing State. I am from Nevada. Obviously we are a very rapidly growing State as well. If we took into account population increases over time with the block grants, would that make you lean more in favor of the block grant?

Governor CHILES. Well, I think so. But we have all kinds of different things that happen. Recessions, immigration, waves of immigration. All kinds of different waves, and so I think we just have to be careful that we don't lock in some formula that says this is it and then suddenly you find that a number of your States or some of your States get treated very unfairly by that.

Mr. ENSIGN. You mentioned the immigration. I find it interesting, actually for somebody that is testifying a little later today, Congressional Research Service, listed the States on the percentage that they get back compared to the amount of tax liability that they have for these various programs, AFDC, Medicaid, food stamps.

And California and Florida, being two States obviously with huge immigration, especially illegal immigration problems, and yet I find Florida is actually rated about number—looks like 10 from the bottom. In other words, you only get back about 15 percent compared to what you put in. Nevada is actually number 50, in other words, we are all subsidizing the other States that aren't doing it as well.

My question is should the Federal Government be in a position of redistributing wealth between the States and reward States that aren't as efficient? California being a good example that, compared to my State, we have a lot of people coming from California to move their businesses to Nevada because California is such a punitive State with the regulations and their taxes. In other words, should the Federal Government subsidize States that want to have these huge social programs that attract all these people?

Governor CHILES. Well, obviously I think this is where you put in some kind of uniformity of what benefits can be or other things

that perhaps you need to do. I have to tell you, I worry because I don't have people leaving my State. They are coming. And every day more are coming, and so we are probably the fastest growing in our caseload of AFDC, the fastest growing in Medicaid. While we are making some changes that are restraining the cost, I still can't stop that migration that comes in and that is where it really hits us.

Mr. ENSIGN. Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. Ensign. Just a couple of questions, Governor.

More and more States are now experimenting with and working with the 2-year limitations and the requirement of work for benefits. As part of welfare reform, the President has supported that.

The bill that we will be marking up here in the Committee certainly supports that, and it appears to me that this is going to be necessary to really make this work. We do have uniformity, at least through the basic structure across the country, but the message that I am hearing out there is that the States are light-years ahead of the Federal Government, that the administration has been good about granting waivers, however, that really shouldn't be necessary. We should design the law so that the States can go ahead, but in the basic structure of turning welfare into a work program that works.

What is your feeling about doing that across the country, putting it into law?

Governor CHILES. I certainly support that. This administration has made it easier to get waivers. We got a very quick waiver. The shortest time of any waiver in the demonstrations that we are doing. But, why should another State have to go through that if they have a similar program that meets certain standards? It ought to be automatic. And so certainly that should be done.

Chairman SHAW. OK, thank you very much.

Any other questions? I am sorry.

Mr. McCrery, I didn't recognize you.

Mr. MCCRERY. Thank you, Mr. Chairman. Just a couple of quick questions, Governor. And I am sorry I was not here to hear your testimony. My plane was a little late getting in, but I did read your written testimony and you made reference in a couple of places to women who had received child care from the State of Florida's Family Transition Program.

How do you deliver that child care?

Governor CHILES. Well, basically I think it is done in different ways, but it is subsidized child care that we deliver, and depending on what their earning ability is, the main thing in this program is that as they start earning, you don't cut them off of their subsidization of their child care immediately. You allow them to be able to transition off of that, but basically it would be delivered by not-for-profit groups primarily.

Mr. MCCRERY. So do you have a list at the State welfare office or something of child care providers?

Governor CHILES. Yes.

Mr. MCCRERY. Is that how you handle it?

Governor CHILES. Yes, and that would be ones that are approved and those which we consider are qualified.

Mr. McCRERY. But you don't have any State child care centers—

Governor CHILES. No. We have a few, like for State employees in certain of our places. But no, we have not tried to go into the child care business. We don't want to do that either.

But what we have noted in the last 4 years, I have been trying to provide more of our budget funds for subsidizing child care. I know that that is helping reduce our caseload. But still we have a waiting list that is horrendous as far as trying to do that.

Two of the most essential things for a woman to be able to leave welfare and to be gainfully employed are health care and child care. And, some transportation needs. But without those and without that assistance, that is what I am concerned about. As I have said, as the balanced budget amendment sort of hits into welfare, I am troubled that we don't cut the entitlement or cut something that prevents me from being able to subsidize that child care and the health care. I don't think it will get the results.

Mr. McCRERY. So in your State budget, you have chosen to set aside dollars not only to match AFDC—

Governor CHILES. That is right.

Mr. McCRERY [continuing]. But also to provide extra benefits as a transition from welfare to work?

Governor CHILES. That is right.

Mr. McCRERY. I commend you for that, but it seems to me that it would be easier if we created a block grant for you to use your AFDC—the Federal share of your AFDC, along with your State funds, to fashion a program that could do as you wanted.

Governor CHILES. Yes. The block grant sounds good when you are saying, we are going to free you from a lot of these rules and regulations. But, having been here during some of the time that we were dealing with block grants before in the Nixon administration and the Reagan administration, the hair kind of comes up on the back of my neck when you say block grants. Because it means that we say yes, and therefore you can limit part of the funding because you don't require all of these regulations.

That is true, but how much can you limit? I don't think you can limit 40 percent. And I don't think you can cut it or freeze it so you don't take into account the growth. Or, so there is no way of determining the growth.

So as I say, a block grant does not bother a State that is losing population or staying static. A block grant, if you are holding the same amount of funds to a growth State like Florida, would be devastating.

Chairman SHAW. Would you yield to me on that?

Mr. McCRERY. I would be glad to.

Chairman SHAW. I have a question with regard to that. Then your concern is that we don't use some interim population figures in order to keep the growth States current; is that pretty much what your concern is?

Governor CHILES. Mr. Chairman, you know very well that Florida is always behind in any formula and that we do get back fewer dollars than many, many States because we are a growth State. Knowing that that is true and all of the formulas that are out there today, I sure hope we don't create another one—

Chairman SHAW. I think we can fix that.

Governor CHILES. Yes.

Mr. MCCRERY. Yes, I agree. As long as you are talking about growth in terms of a State's population, general population, I think we can try to accommodate that. But the point of all this, Governor, is to reduce the growth of spending nationwide on welfare, and so we are hopeful that by giving the States more flexibility to use the Federal share of the money, that States will, as you have, come up with different ways to address the problem of growing welfare rolls, and we hope will find some models to reduce those rolls eventually and get the spending, the overall spending, if not down in nominal terms, at least down in terms of the rate of the growth of the program. So—

Governor CHILES. I think we all agree on the goal, and I am convinced from what we are doing in our Escambia County experiment, that by going into a program in which you make some very strong requirements in child support, in teen pregnancy and some of these, but also give the job training, the counseling, the child care and the health care, that will cause you to achieve your goals of reduced growth.

Now, what I fear is an arbitrary thing or a scoring sort of before the fact that says that we are going to reduce it, that would prevent me from taking all those steps that are necessary to get there. That is where my concern comes in.

Mr. MCCRERY. You know our budget rules here. We may have to do some arbitrary limiting, at least initially, to get scoring results.

However, if we make it discretionary, as you know, this Congress has a history of coming back and adjusting programs if it is in a time of recession or if a particular State is having a problem. So I don't know how it is going to turn out, but it sounds like to me we are on about the same path here and we look forward to seeing the results of your program in Florida as we move through this.

Governor CHILES. Good.

Chairman SHAW. Mr. Gibbons has one final one.

Mr. GIBBONS. As I was listening to what you had to say, as I understand it and perhaps I can state it in my own terms. What you are talking about is your desire to have more flexibility at the State level for meeting the needs within the State and for experimenting with different ways of saving, not only Federal dollars, but State dollars.

That is what I think you are saying, but as far as computing the amount of Federal dollars that would come into States, you would like to have the entitlement system because, one, it is more current, and two, it reflects the economic conditions perhaps that vary from State to State at different times in the State's history.

Am I correct in what I—

Governor CHILES. I think that is right. Basically we want to have Florida's share of the Federal funds based on what our share of the need is based on our growth, based on our particular situation in regard to people that come into the State. All of those.

Mr. GIBBONS. In regard to perhaps peculiarities of the Florida economic system, you could have a great influx of Cubans. You could have a great influx of—or great increase because of freezes that freeze out the winter vegetable crops and the orange crop and

all those products, so you have a lot more variable factors that you would like to be able to meet and the computation of just a block grant wouldn't give you enough money to meet those kind of contingencies; is that what you—

Governor CHILES. Well, I think if you looked at the last—let's say from 1985 to 1990 and the growth of the AFDC caseload, you will see that Florida grew percentagewise faster than any State in the Nation, and that isn't all in migration. It is in some other factors as well.

Now, I believe that we can restrain that growth and are beginning to do that now by some of the steps that we are taking. However, I don't want to see us get locked in where basically we are just not treated fairly. That is all we are talking about.

Mr. LEVIN. Will the gentleman yield? Just briefly because we know you have to go and we should move on, but I think the Governor's testimony does provide a basis for finding common ground.

I hope we listen carefully because Governor Chiles has talked about immigration, about recessions, about other factors that cause changes in the AFDC population, as well as the national interest, and also has talked about up front costs, and I think your message, Governor, is that we can do much better but it may take some investment.

Is that what you are saying?

Governor CHILES. I think to get out of this situation that we have gotten people into over a number of generations, it requires an investment. Our demonstration project shows us that. We are putting some of our State funds in and we are getting some Federal funds, and we are going to go as fast as we can to grow our way through that.

Now, we will see a reduction in the caseloads. We will see a reduction of the people on welfare reform, but it is like you are retooling your plant. You can't retool the plant unless you have got some funds to buy the new tools and the new equipment and train the work force to use them.

Mr. LEVIN. Thank you. Thank you for yielding.

Chairman SHAW. Governor, thank you very much. What I am hearing you say is that you are for basic fairness, and fairness does say that we consider the population, which doesn't have to be an entitlement to be fair.

We have fought this battle together up here for years on highways and other matters where right after the population figures are in, that is—we are 1 year behind at that particular time. Then we get 1 year, 1 year, another year behind and that continues so that the growth States are just not getting the right treatment.

We need to correct that and I think we are in a position this year at least in this area, to correct it and we will be working on it.

Governor CHILES. I am delighted to hear that. Mr. Chairman, I just want to again say that the only thing that concerns me is if you remove an entitlement here and you have not removed other entitlements and you have the effect of the constitutional amendment, you are forcing decisions to be made on reducing discretionary spending and now that discretionary spending includes children. That gives me the willies.

Chairman SHAW. Yes, sir. I hear you loud and clear. Thank you very much, sir, very much, Governor, for being with us this morning. We have now heard from Governor Chiles. We have heard from Governor Carper, Governor Dean. Those are three very progressive Democratic Governors, as well as three Republican Governors, Governor Engler, Governor Thompson, and Governor Weld.

I think that this Committee has seen a common thread going through all of that testimony and that is the Governors want to not only have the responsibility, but also the authority to really run their own systems, and I think that without question, that will be part of this legislation, which will be supported by both sides of the aisle.

I would like now to invite the two Senators who are with us, Senator Brown and Senator Grassley, to take a seat at the witness table. We have both of your full statements, which will be made a part of the record, and I invite you to proceed as you see fit.

I would like to say at this point that the Chair is going to do its level best to enforce the 5-minute rule. We have Members, a long day, many Members will be coming in to testify. We look forward to their testimony and we want to be sure that they are heard properly and proper attention is given to their testimony.

We will proceed, Senator Brown, if you could proceed. As a former Member of this Subcommittee, it is a pleasure to have you back.

#### **STATEMENT OF HON. HANK BROWN, A U.S. SENATOR FROM THE STATE OF COLORADO**

Senator BROWN. Thank you, Mr. Chairman. I am delighted to be here and I appreciate very much the chance to testify. I want to commend you and the Committee for your prompt action in this area.

While the President campaigned on welfare reform, the fact is, nothing happened for the first 2 years of his administration. Neither this Committee nor the Finance Committee in the Senate was even willing to go to markup or to have serious hearings on the subject. I sincerely believe the conference that took place over this weekend was a product of your indication you are going to go to markup. The fact is that people know this is going to happen and thus have responded to your initiatives.

Mr. Chairman, there is a dramatic difference in opinion about welfare reform. It is masked because everyone claims they are for welfare reform, but what they have in mind is dramatically different. Wealthy liberals honestly, sincerely believe that what we need in a welfare system is a way to make people comfortable and treat them humanely when they are in the state of being on welfare.

People who have worked for a living though, have a much different view of welfare reform. They view a good welfare reform proposal as one that helps people get out of poverty. The real decision you will need to make is not about block grants or entitlements. The real decision you will make is about what kind of welfare program you will have.

Will it be one that keeps them in poverty and tries to keep them comfortable or get out of poverty and change their lives? I am very

encouraged by the proposals I see before the Committee because it appears that you are on the track to help people get out of poverty and that will be a dramatic change.

Let me suggest a couple of barriers that are in the law from 1988 and before that dramatically and desperately need change. One, we need to eliminate the barriers to work. Included in the 1988 statute was a flat prohibition on referring welfare recipients out to jobs in the government sector if those weren't entirely new positions.

Unbelievably we have made it illegal for welfare recipients to be referred to jobs that are associated with government then because very few, very few of the jobs are entirely new positions. This sabotaged the effort to place people in jobs right from the start. It has sabotaged the efforts of many people to turn their lives around. That has to be repealed, and I hope and understand that you are on the track to do that.

Second, included in the 1988 bill is an effort that was simply distorted. Education and training were thought to be alternatives which could be offered to people who wanted to work, but didn't have the qualifications to. What has happened in most jurisdictions in the Nation is that education and training programs have been used by the bureaucracy as an excuse not to have welfare recipients go to work.

Many jurisdictions have jobs available and have workers who want to change their lives, but use education and training funds as a way to divert people away from work. It should be just the opposite, and I hope you will eliminate that barrier to work as well, to once again let people know that getting them a meaningful, productive confidence restoring job is the first priority in the system, not the last.

Mr. Chairman, I hope that included in what you do you will expand over to the job training programs and will focus on privatizing job placement. It seems to me that is essential. I hope what you will do is include in the law an option for the States to allow welfare recipients to select a private entity that will help place them in jobs.

The job placement agency ought to be compensated not on the basis of how many hours they bill, but they ought to be compensated on whether or not they successfully place welfare recipients in jobs and jobs that stay. I am confident if you privatize that function, get it out of the bureaucracy that sometimes sabotages real welfare reform, that you will have made a dramatic difference and you will improve the lives of people.

Last, Mr. Chairman, I hope you will take a look at the legislation we have offered in the Senate that attempts to give welfare recipients an option. It gives them a voucher to take next month's benefits and trade it for a job. It in fact privatizes that function.

Chairman SHAW. Thank you.

Senator Grassley.

#### **STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM THE STATE OF IOWA**

Senator GRASSLEY. Thank you, Mr. Chairman, for moving so very quickly on the welfare crisis to find a solution for it. I think this is a very good forum for us to focus not only on the problem of the



welfare system, but also on State initiatives to correct the existing system. So I am pleased to join you in this effort.

Since the war on poverty began over 30 years ago, of course, we have spent hundreds of billions of dollars on the fight and yet the poverty rate is higher today than it was when the war began. Are we, the taxpayers, getting our money's worth for what we are spending on it?

I don't think so and most Americans would agree. President Clinton acknowledges that the war on poverty has failed. He has often promised to end welfare as we know it. The American people want that change to take effect and the sooner the better. They believe that the current system is in need of very dramatic reform.

The President has proposed changes in the system. His administration has introduced a plan to require a 2-year-and-out workfare program. It mandates that all States enact work for welfare programs, although the President might call this reform, from my standpoint, it doesn't even begin to address the faults that exist in the welfare system. So if we are truly going to end welfare as we know it, then we must make dramatic changes, much more drastic, than what President Clinton has suggested.

Many State Governors have applied for and received these section 1115 waivers. Most of these waivers authorize much more radical change at the State level. The waivers allow the States to do what the Federal system would not let them do. But the States go through this lengthy and very burdensome process to obtain the waivers because the system, even with the changes proposed by the President, simply doesn't provide a cure.

Meanwhile, the changes being initiated by the Governors are getting rave reviews, both for their innovativeness as well as for their success. And that is what we need for a solution. We need radical change, leeway in flexibility for the States. There are currently 24 waivers that have been issued to the States.

These waivers have allowed the States to develop the programs that best fit their individual State requirements. We should not require the States to constantly be requesting waivers when they want to make changes in their welfare reform program.

Today nearly one in seven American children are receiving AFDC. According to the General Accounting Office, only 11 percent of the 4.6 million receiving AFDC participate in any education, training, or job search programs. These are not the kind of statistics that we should be seeing when the Federal spending on social welfare for fiscal year 1994 totals way above and beyond AFDC to \$240 billion.

It is my belief that the current system has contributed toward the breakdown of the family, destroyed independence and self-reliance, and has discouraged work. The system clearly does not serve the needs of the welfare recipient.

Mr. Chairman, I recognize that in order for welfare reform to work, we have to establish three topline goals. First, we have to reduce the rising costs of welfare programs, second, welfare reform must address the social crisis of out-of-wedlock births, and finally, welfare reform must require real work from its recipients.

In my home State of Iowa, the key components for welfare reform are designed to encourage family stability, parental respon-

sibility, and decisionmaking. Attaining self-sufficiency through increased training and educational opportunities have provided the incentives to encourage employment. The outcome has been to make work part of that formula.

The main theme of reform in my State of Iowa has been developing the philosophy that the welfare system should be a system of transition, not a system of long-term care. I introduced a welfare bill this month entitled the Welfare to Work and Strong Families Act of 1995. My bill proposes to block grant to the States the entire AFDC Program, the AFDC JOBS Program, and the Food Stamp Program as it is applied to AFDC recipients. Those programs would simply be ended.

The role of the Federal Government handling the welfare state then would be changed. My bill would alter the way we administer welfare. It would move the decisionmaking process of these programs closer to those who can best address the needs of its recipients and that is at the State level. As the waiver program has shown, especially in my home State of Iowa, it is State and local governments that can best develop the welfare programs that work for their States, as well as for their citizens. We need to give that freedom back to the States.

As we tackle this issue of welfare reform, the Federal Government has a responsibility to provide the framework of expectations, but the States should have the flexibility to develop programs that fit their unique populations.

Mr. Chairman, again, I thank you for this opportunity to address you and to commend you for moving so quickly and I look forward to working with you and your colleagues on a bill or proposal to forge a consensus on forming an effective welfare system.

Chairman SHAW. Thank you, Senator.

Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman. Welcome both of you and, Senator Brown, how about we start with you? We had Governor Weld in here and he suggested that, in his opinion, starting with training and education wasn't the way to go. He said, start them with a job, get them used to the work ethic, and then later on to improve the type of job that they had, that is when education and training could come in.

His feeling is that—and I share that same feeling—is you have to start getting work habits, getting that responsibility, getting up every day, into people's minds and you have to change that whole mindset and that whole dependency on getting a check from the bureaucracy every month.

What is your opinion?

Senator BROWN. Well, you have hit the nail on the head, and I think Governor Weld's description is exactly right. I have spent a lot of time in welfare offices around the State of Colorado and some in other spots around the Nation. What many of them do is when they get someone in, the attitude of the social workers and the welfare office workers, is that they don't want anyone being referred to a job that doesn't pay \$7 or \$8 an hour. Their view of the world is that you should demand more than that and that it is demeaning to work for less.

My belief is just the opposite, that work and the confidence that it builds and the self-respect it builds is the key ingredient in helping people turn their lives around. Tragically what is happening in Colorado, and in many other States, is education and training programs are being used the opposite of the way this Committee designed them to.

Education and training are being used to divert people out of work instead of into work. Instead of preparing people to work, these programs are being used to keep them from going to work. I think you are going to find some people who are simply unable to work at the time they come in. We understand that. There will be a percentage in that category, but my hope is that before this bill is finished, we will make it clear that the top priority is work referral, and I think that is why I suggest going beyond simply making work referral the top one. I think you have to privatize that function and get it out of the kind of morass that it is administered on at the lower level.

Mr. ENSIGN. I agree. A couple years ago, I had a young single mother working for me and she had applied for some temporary assistance and when she was down there, they told her, they said, why are you working? You know, their whole mindset was, you could make more money going on welfare, you are crazy to work. And her attitude was, no, I just need a little temporary help right now. I want to continue working. I want to make a better life for my son and myself, and obviously I was extremely proud of her and she did very well and started moving up in the organization.

But my question is, shifting the focus a little bit, we are holding hearings over here in the House. When can we expect action on this over on your side of Capitol Hill with some serious hearings and progress on a welfare reform package?

Senator BROWN. Well, Senator Grassley, I think, will have a good view on that. My sense is that we will move on it, that it will not be as expeditiously as you and I fear, not as effectively as you, but we are hopeful the Senate will follow the House example.

Senator GRASSLEY. Yes, and I think that Senator Packwood is committed to moving very quickly on hearings. I think if you read his public comments on this issue, you will find him much more in line with the thinking of this Subcommittee than maybe the Senate as a whole, so I think we are in a good position to move something out of Committee.

Mr. ENSIGN. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you. Welcome. To my good friend, Senator Brown, I listened to what you said was the basic dichotomy between I guess Democrats and Republicans or, as you put it, liberals and conservatives.

Senator BROWN. I do think it crosses party lines. I think it is more philosophy than it is party.

Mr. LEVIN. Well, my plea would be this, I don't really think that is the dichotomy between those who want people on welfare to live comfortably and those who want them to work. I think there is much more common ground here than that. I think there is a rather strong, if not consensus, near consensus that the chief aim has

to be to get people into the work flow, to get them off welfare, to break cycles of dependence.

The 1988 act did not succeed very well. You point out one aspect, but forget about that, there was a reason for it, I think, somewhat differently than was explained, but that was a step to try to get people off of welfare into work, and primarily in the private sector. My own feeling is that on this Subcommittee there is something beyond the dichotomy of those who want people on welfare to be comfortable and those who want them to work.

Once we start with those polarizations, I think we are just digging a very deep hole between two camps and a hole that doesn't exist, and I would urge that we not engage in those kinds of descriptions. I mean, I for one, have been working for a long time on this and I believe the key is to get people off of welfare into work. There will be differences, for example, about block granting food stamps.

Senator Grassley, what happens, for example, in times of recession? If you block grant food stamps, freeze it for 5 years, and there is a major recession that has hit Iowa, are you satisfied that the freeze applies and there is no increase in Federal funding for food stamps in the midst of a—I was in Iowa during periods of deep recession in the mideighties. Are you satisfied to have a system that doesn't reflect economic disparities, regional disparities?

Senator GRASSLEY. I am satisfied that we can meet any situation that could conceivably exist because we have the capability of doing it. First of all, I would suggest that we can reserve some money at the Federal level for a rainy day fund, for emergencies like that. States already have to do that under their constitutional amendment for a balanced budget, and then I would think that basic to your question is a feeling here in Washington that somehow if there is some problem in America, we are the only ones as a policy-making body that can decide that, and I know you don't mean to be arrogant, but there is an arrogant attitude in this town that only we can solve the problems.

Mr. LEVIN. Let me just press you, because that isn't my attitude, but, look, there was a flood in Iowa, there was a Federal response. Why did you ask for Federal money? Why not just do it your own way?

Senator GRASSLEY. The reason why is because we have had for about 40 years a policy of self-insurance within the Federal Government that responds to a natural disaster like that, and our request or even California's request for recent floods are going to come within that policy of the Federal Government being an insurer of last resort, and that is how we respond, and you can have the same thing when it comes to another natural disaster that impacts upon hunger, but you are going to do it within a predetermined policy, that that is our policy, not just that we have got all the answers here in Washington and we have got a bottomless pit that we call the Federal Treasury that can answer all those problems.

Mr. LEVIN. So I think there is common ground potentially. What you are saying is true for floods, is true for hunger. If there is a recession on a regional basis and there is an increase in the need

for food stamps, there should be some provision so there is an adjustment in funding to meet that contingency?

Senator GRASSLEY. The answer is there can be and there probably will be and there probably should be, but here again, you want to remember that our existing Food Stamp Program or the nutrition programs we have already had on the books for three or four decades still do not respond to all the needs of hunger in America, and there is a private sector and local government that are responding to needs that even the Federal Government can't meet today, so why should we have a feeling that under these other circumstances we won't be able to meet those?

I mean, the Salvation Army can meet the needs of people in instances when the Federal bureaucracy can't, and we think we have all the answers and all the money, well, just ask the Salvation Army how many people they help that we won't help.

Mr. LEVIN. I don't think the feeling is we have all the answers, that isn't the dynamic here.

Thank you.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman. Senator Brown, you bring a unique perspective, I think, to this Committee because you have declared that in a couple of years you are going to be once again a private citizen in the private sector, and so I have my own opinion about the question I am about to ask you. You and I have not talked about this, this is not a scheme that we have set up here, I don't know what you are going to say when I ask this question, but I am interested in your response because of your unique perspective as one who knows the budget of the United States, who knows the public policy considerations involved, and yet is one who is about to be a private or a member of the private sector, and therefore have a little different perspective than those of us on Capitol Hill.

We now spend about \$240 billion at the Federal level on welfare programs, on transfer programs. That includes Medicaid. Do you think that we spend not enough, too much, or just the right amount on welfare programs at the Federal level? I am just interested in your view on that.

Senator BROWN. The welfare systems that I have seen where they have experimented with different approaches were able to do a significantly better job and do it at less than half the cost that we now spend. So first, I guess, I would say these welfare systems are so important, at least aspects of them are so important, that they have a high priority and they are ones that would have a fundamental need to be funded. But my sense is we are doing two things wrong; one, we are making things worse with the way we design programs rather than helping people, and, two, that we can do a better job and we can do it with significantly less money. My sense is what is important here is not the funds that people have talked about as much as the basic reform that is involved.

With due respect to Congressman Levin, who I have an enormous respect for and I know those of you who serve with him do, my sense is people come at this problem with a reflection of their own personal background more than any I ever saw in Congress. Some people honestly and sincerely believe that the way to help

someone is to give them things, and that if you really care about them, that is the way you help them. Others come from a family background where they had to work and struggle with a feeling that if you want to help someone, the way to really help them is to give them a chance and an opportunity and a job.

Are there people who aren't able to work? Yes, there are. But a lot of our difference here is really that fundamental, what we perceive as what is helpful to one and what is not helpful. My sense is if we focus on helping people help themselves that we can do it with much less money and much more effectively.

Mr. McCRERY. I agree with you, and I am not ashamed to say that one of my goals in all of this discussion about welfare reform is for the Federal Government to spend less, not more on welfare programs, and that is why I am a little optimistic about the block grant approach that will enable us to see many different pilot programs, if you will, out there in the States trying to do exactly what you have just said, do more for less, and have better results if our goal is to get people off welfare and in the work force. So I appreciate that answer, and when you get back in the private sector, I hope you will, for those of us who may still be here, I hope you will let us know your perspective out there.

Thank you.

Chairman SHAW. Thank you, sir.

I would like to repeat one thing that Congressman Levin said. He said that there was a flood in Iowa and the Federal Government responded. They did not respond because there is a flood entitlement. They responded because there is a Congress here that cares about all the people of this country, and I am confident that future Congresses will care just as we do and we will respond to the needs out in the States—we will respond to recessions. But I think saying that if it is not an entitlement, it is not going to happen just is not true. And I think there is no example that more exemplifies that fact than what Congressman Levin said. There was a flood in Iowa and we responded.

Senators, thank you both for being here. Thank you for the good work. If you would bring a message back to the Senate to get moving, we are ready to go, we are underschedule and underbudget over on this side, and we are working hard. We are setting the example and we need you to come ahead and help us out.

Senator GRASSLEY. Let me tell you why we will move, because the majority of both Houses in the mandate of the last election have a responsibility to move. The public isn't going to understand that if the House Republicans move that there is somehow a constitutional reason for us to slow things down, and we are going to do that. Republicans in the Senate are going to suffer the same way as Republicans in the House do if we don't show the people that we can govern, that it is no longer business as usual in this town.

Chairman SHAW. Yes, sir. Thank you. We welcome your remarks and thanks for coming over.

OK, on the next panel, we have got Congresswoman Meyers from Kansas, Mr. Hutchinson from Arkansas, and Mr. Talent from Missouri. If they would take the witness table, we have your full state-

ments which will be made a part of the record. Please feel free to summarize or proceed as you see fit.

I will tell you what I mentioned before the Senators sat down, we are enforcing the 5-minute rule today. We have a lot of witnesses; we have a long day; and we want to move along.

The three of you have been very much on the forefront of this entire issue. We appreciate your remarks. They are very important to this Committee.

Thank you.

Mrs. Meyers.

**STATEMENT OF HON. JAN MEYERS, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF KANSAS**

Mrs. MEYERS. Thank you, Mr. Shaw. And thank you for holding this hearing and for the opportunity to address it.

I am going to start with a couple of statistics that I think you have probably all heard before, but they bear repeating. In just 5 years, 80 percent of minority children and 40 percent of all children in this country will be born out of wedlock unless we make some changes in the way that we are doing things.

Another statistic that I like to quote is that if you graduate from high school, get married, and don't have your first child until you are 20, of that group of people, only 8 percent are in poverty. But if you don't graduate from high school, don't get married, and have your first child as a teen, of that group of people, 80 percent are in poverty.

I think that the policies of the Federal Government have been causing not only our teenage pregnancy problems in this country, they have been causing our enormous growth in poverty. A couple of years ago I authored a welfare reform bill that would accomplish the following goals.

Welfare reform should cost less, not more. It should end the entitlement nature of AFDC first, and ultimately other entitlements. If it costs more, it is not welfare reform, it is welfare expansion. We have got to make sure that we are spending less.

The second goal; reform should give the States maximum flexibility to devise plans, including work programs that work for them. What works in New Jersey is not going to work in Kansas and vice versa. That was proven in 1988, when we thought we had reformed welfare. What we did cost \$13 billion on work programs and day care programs, and still find less than 1 percent of the welfare population working. It was a disaster, a dismal failure, and we should not try it again.

Finally, in giving flexibility to the States, we should have two Federal mandates, and I think there should be a national statement on these two issues. One, there should be no AFDC unless both parents are 18, and I am not saying take away other benefits, I am saying take away the monthly cash grant, AFDC; and the second Federal mandate should be there should be no AFDC monthly cash grant at any age until that father is absolutely identified. Of course, the father is supposed to be identified now, but we get an awful lot of "well I don't know," or "I think it was Bill Jones." We need specific identification with name and middle initial and date and place of birth so we know exactly who that person is.

I have a feeling that when that young man knows that he is going to be forever identified as the father of that child and that the moment he earns \$20,000 a year, we are going to come and take a part of that for every child that he has fathered, we will begin to get some responsibility on the male part of this partnership. And that is extremely important.

I think those principles that I just outlined—costing less; maximum flexibility to the States; no AFDC until 18 or until the father is identified; are not in conflict with the Personal Responsibility Act in the Contract With America. In fact, they are very much in line with it.

My bill deals first with AFDC because I am concerned that if we cap AFDC, SSI, housing subsidies, food stamps and nutrition programs at one time, we might encounter great opposition from various special interest groups who would coalesce around a “no,” rather than becoming part of a creative answer to the current welfare problems. We would then have lost the opportunity to restore responsibility to families and lower our national poverty level.

My second concern with the Contract is that the cap seems to be virtually the same as an entitlement. It allows for growth both in inflation and in poverty population. How does this differ from an entitlement? I think, as I understand it, the Committee is looking very carefully at this and will probably devise a tighter cap than is in the Contract With America.

The rest of my testimony, Mr. Chairman, is again more statistics, and I think you can read that for yourself. The birth rate of unmarried teens aged 15 to 19 increased 90 percent between 1970 and 1990, and if that isn't enough to indicate to people that we are going in absolutely the wrong direction, I don't know how much evidence it is going to take.

I thank you very much for holding this hearing and I would be happy to respond to questions.

[The prepared statement follows:]



Testimony of the Honorable Jan Meyers (3rd-KS)  
Before the Ways and Means Human Resources Subcommittee  
January 30, 1995

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Thank you, Mr. Chairman, for the opportunity to address the committee. A couple of years ago I authored a welfare reform bill that would accomplish these goals:

- A. Welfare reform should cost less, not more. It should end the entitlement nature of AFDC first and ultimately other entitlements.
- B. Reform should give the states maximum flexibility to devise plans--including work programs--that work for them, with only two federal mandates:
  1. no AFDC monthly cash grants unless both parents are over 18,
  2. no AFDC monthly cash grant (at any age) until the father is absolutely identified.

Both of these mandates should be forward looking.

These principles are not in conflict with the Personal Responsibility Act in the Contract with America. My bill deals first with AFDC because I am concerned that if we cap AFDC, SSI, housing subsidies, food stamps and nutrition programs at one time, we will encounter great opposition from various special interest groups who will coalesce around "no," rather than becoming part of a creative answer to the current welfare mess. Then, we will have lost the opportunity to restore responsibility to families and lower our national poverty level.

My second concern with The Contract proposal is that the cap seems to be virtually the same as an entitlement. It allows for growth in both inflation and poverty population. How does this differ from an entitlement?

I want to assure the committee that I absolutely believe we are moving in the right direction. Our past policies have hurt those we are trying to assist, and has allowed abuse and mismanagement in these programs.

Between 1970 and 1990, the birth rate of unmarried teens aged 15 to 19 increased 90%. The highest rate of increase--110%--was among unmarried white teens. We must reverse our spiraling out of wedlock birth rate among teens for many reasons. Research has shown that:

- adults who grew up in single-parent families completed fewer years of school,
- single parenthood increases the likelihood that a young girl will become a single mother herself,
- the absence of a father has an especially negative impact on the educational attainment of boys.

Nicholas Davidson, author of Life Without Father--America's Greatest Social Catastrophe in the 1990 winter Policy Review finds that the proportion of single-parent households in a community predicts its rates of violent crime and that children from single-parent families are more susceptible to drug use to cope with depression and anxiety.

Other researchers have pointed out that precisely those young girls who view themselves as having poor job or marriage prospects obtain a guarantee of medical and monetary benefits, as well as social standing by having a child. I certainly do not wish to absolve teenage boys and young men of their responsibility in childbearing. That is why I also support an absolute paternity requirement--the first step in establishing a child support award.

In closing, I would like to reiterate my guiding principles for welfare reform. Whatever we do must cost the American taxpayer less, not more, as it has in the past. It must also reduce the incidence of teenage out-of-wedlock births and must

reduce the overall welfare caseload.

To accomplish these things, I strongly urge the Members of this Committee to support provisions in the Contract with America which will create a block grant for AFDC monies, deny cash benefits to teenage girls who bear children, and require that paternity be identified before any child can receive welfare benefits. I would like to continue to work with the committee in this area where my interest extends back to my State Senate days.

Again, thank you, Mr. Chairman, for the opportunity to discuss this vital issue with you. I will be happy to answer any questions, you or Members of the Committee might have.

Mr. McCRERY [presiding]. Thank you, Mrs. Meyers.  
Mr. Talent.

**STATEMENT OF HON. JAMES M. TALENT, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF MISSOURI**

Mr. TALENT. I thank the Chairman for the opportunity to discuss the most serious threat facing America today, the astronomical growth in the out-of-wedlock birth rate. At the outset of the war on poverty, the out-of-wedlock birth rate of the United States was roughly 7 percent. A generation later the number of babies born into fatherless homes has skyrocketed. One of three children born in the United States is born out of wedlock. In many low-income communities the illegitimacy rate is almost 80 percent.

This means that there are many communities in the United States where four out of five children are born into a family and in fact a culture where fatherhood, as most Americans understand the term, does not exist. Children in these circumstances have bleak prospects for succeeding in life. They are three times as likely to fail in school, twice as likely to commit crimes and end up in jail, and the teenage girls are almost twice as likely to bear children out of wedlock themselves.

Mr. Chairman, I never have and I hope I never will treat welfare recipients as the culprit in this tragedy. They are more sinned against than sinning. They were often raised in material poverty for which they were not responsible and then lured into a condition of dependency by a government which should have known better.

As President Roosevelt said,

The lessons of history confirmed by the evidence immediately before me show conclusively that continued dependency upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit.

In short, the question before this Committee today is are any of us satisfied with an out-of-wedlock birth rate that the President has said will soon be 50 percent, and if not, what in the context of welfare reform are we prepared to do about it?

In answering this question I want to address specifically the problem of cash and cash-related welfare payments which Mrs. Meyers referred to. The age-old dilemma in welfare is how to provide assistance in a way that will not be misused and will not tend to encourage the condition which makes assistance necessary. In this regard, not just the size but the structure of the benefit package is important. Cash benefits are particularly dangerous.

They are the most seductive to potential recipients. They are the easiest to misuse, and once received, they make the recipient an attractive target for exploitation.

For these reasons, the legislation that Mr. Hutchinson and I filed last year would have prohibited cash and cash-related benefits for prospective welfare recipients when the basis for qualifying for welfare is an out-of-wedlock birth and if the parent is under 21. I believed then and believe now that providing cash to young single moms is usually a bad way of trying to help them from almost every perspective.

The Personal Responsibility Act is an important step in the direction of reform, but frankly only a small step. To see how small

this step is, consider this: This aspect of the bill will have no impact whatsoever on any current welfare recipients or on a minimum of 95 percent of the new recipients in any given year. Let's see how this small but important change would operate in practice.

As I said above, in any given year no more than 4 to 5 percent of the new caseload consists of new moms 17 or under. After the Personal Responsibility Act went into effect, that number would go down.

Since the act begins to tell young people the truth—that parenthood means responsibility and sacrifice, not independence and security—fewer teenagers would make the decision to become unmarried moms. But of course a number would become pregnant nonetheless. These moms would continue to be eligible under the bill for food stamps, health care, energy assistance and all the other benefits they are now, but not federally funded cash benefits.

Instead, the States would have wide discretion to offer them other kinds of real assistance. I hope that these young people will all have to consider the alternative of adoption. Any responsible welfare system will gently but clearly confront unwed teenage parents with the question whether their child would be better off being raised by a mature couple. Many young parents will decide this question in favor of adoption, but no matter how they decide it, the very act of confronting this alternative is part of the process of understanding the sacrifice necessary to raise a child.

Other young parents would decide to keep their children. Of these parents, many would have some family resources or work skills at their disposal. These parents might only need Medicaid or subsidized day care or transportation vouchers or parenting classes or some other discrete assistance in order to raise their children.

Under the PRA, the States would for the first time have real flexibility to match assistance to the unique needs of these young parents. There will be a fraction of single teen moms who want to keep their children but who have no skills of their own and no family resources. Under the PRA, the States would be empowered to use Federal money for the kind of care these children really need—residential care in a closely supervised nurturing environment where they can be taught work, parenting and life skills.

Mr. Chairman, these teen moms are children themselves, often living in drug- and gang-infested neighborhoods with no family to speak of. They need protection and care, not a cash benefit from an impersonal bureaucracy that will leave them vulnerable to greater exploitation.

Mr. Chairman, the movement in the PRA away from cash benefits affects only a small fraction of the prospective caseload and only as regards Federal funding. It is the least we can do and still honestly say that we are changing the existing system at all.

I urge the Committee to stand firmly by this portion of the PRA. Without it, we will lose our best chance and maybe our last chance to attack the problem of illegitimacy by basing the welfare system on the dignity of work and the power of healthy families.

I thank the Chairman.

[The prepared statement follows:]

**Testimony of Congressman James M. Talent  
Presented to the Subcommittee on Human Resources  
January 30, 1995**

Mr. Chairman, thank you for the opportunity to discuss the most serious threat facing American civilization as we know it: the breakdown of the traditional two-parent family.

At the outset of the War on Poverty, the out of wedlock birthrate in the United States was roughly 7 percent. Now, 30 years later, after spending trillions of dollars on programs designed to end poverty, the number of babies born into fatherless homes has skyrocketed. One of three babies born in the United States is born out of wedlock; in many low-income communities the illegitimacy rate is almost 80 percent. This means that there are many communities in our country where 4 out of 5 children are born into a family, and in fact a culture, where fatherhood as most Americans understand the term does not exist. Furthermore, President Clinton has said that the overall number of children born out of wedlock will climb to 1 out of every 2 children in the next five years.

Children in these circumstances have bleak prospects for succeeding in life; they are three times as likely to fail in school, twice as likely to commit crimes and end up in jail, and, the teenage girls are 164 percent more likely to bear children out of wedlock themselves.

Mr. Chairman, any reasonable person looking at these statistics would conclude that the losers in the War on Poverty were the very people we tried to help. But, we should not look upon these trends as mere statistics. They represent a dramatic change in the composition of our nation, and a change that is not compatible with a compassionate, civil and just society.

Our nation is based on the values of faith, marriage, discipline, and respect for others. The family unit has always been the primary means of transmitting these values. When the family disappears, there is no mechanism that is consistently able to instill these values in the next generation of children. Strong families are the foundation of a strong country. When that foundation is weakened, the whole house is in danger.

As our country approaches a 50 percent out of wedlock birthrate, it is apparent that our foundation is in serious jeopardy. The current welfare system is a major reason for this tragedy. History has proven that the two most effective anti-poverty programs are work and marriage. Yet, the government has devised a system that subsidizes out of wedlock births, rewards young men for being irresponsible, and lures young women into a course of action that is destructive for them, their children, and society. Our welfare system offers even teenagers up to \$15,000 per year on the condition that they do not work and do not marry an employed male. These incentives have made marriage financially irrational and converted the low-income working husband from a necessary breadwinner into a net financial handicap.

Once those young people are in the system, the cash benefits, public housing, health insurance, food stamps, and myriad of other benefits make them take a profound "leap of faith" if they decide to leave the system. This trap produces a dependency which is our national equivalent of a Berlin Wall, separating an entire segment of our society from the American Dream. Mr. Chairman, I never have, and I hope I never will, treat welfare recipients as the culprits in this tragedy. They are more sinned against than sinning. They were often raised in a material poverty for which they were not responsible, and then lured into a condition of dependency by a government which owed them more than good intentions. Keep in mind the words of the author of the original ADC program, President

Franklin D. Roosevelt: "The lessons of history, confirmed by the evidence immediately before me, show conclusively that continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit."

Today's headlines confirm the prophetic words of President Roosevelt. Everyday, stories pour in from across the country indicating that the casualties of this system are children, living in the chaos that is rampant in our urban neighborhoods. Last year, in a drug raid of an apartment in Chicago, police found 19 children--the oldest 14 years old, the youngest one--living in squalor among filth, cockroaches, and broken windows covered with old blankets. When the police entered the apartment, they found five children asleep on the floor in their underwear and others gnawing a bone with a dog. On October 13, 1994, five-year-old Eric Morse was pushed from a 14th floor window of a South Side housing project in Chicago for refusing to steal candy for two other boys. The two boys, 10 and 11, were charged, as juveniles, for the murder. Eric's older brother, Derrick, fought with his brother's attackers to pull Eric from the window, but finally lost his grip when one of the boys bit his arm. On December 3, 1994, a 12-year-old boy was fatally stabbed in the chest after he reportedly taunted a 13-year-old in the playground of a Bronx housing project. Louis Pagan, the older boy, was charged with murder. And, the violence is prevalent even right here in the District of Columbia; in fact, a minority adolescent male living in our nation's capital has a higher likelihood of being killed than an American soldier did in Vietnam.

Mr. Chairman, these are not isolated incidents. They are indicative of the widespread social chaos resulting from a breakdown of the family. Our nation, with the best of intentions, has through its policies destroyed the family in communities where welfare is prevalent and as a result is destroying the hopes, dreams and the futures of the children we want so desperately to save. It is hard to imagine how we could have done worse. The question before this committee today is, "Are any of us satisfied with on out of wedlock birthrate that will soon be 50 percent and, if not, what in the context of welfare reform are we prepared to do about it?"

In answering this question, I want to address specifically the problem of cash and cash-related welfare payments. The age old dilemma in welfare is how to provide assistance in a way that will not be misused and that will not tend to encourage the condition which makes assistance necessary. In this regard not just the size but the structure of the benefit package is important. Cash benefits are particularly dangerous, because they are the most seductive to potential recipients, they are the easiest to misuse, and once received, they make the recipient an attractive target for exploitation. For these reasons, the legislation I filed last year would have ended cash and cash-related benefits for prospective welfare recipients, when the basis for qualifying for welfare is an out of wedlock birth, and if the parent is under 21. I believed then and believe now that providing cash to young single moms is usually a bad way of trying to help them from almost every perspective.

The Personal Responsibility Act is an important step in the direction of reform, but it is frankly only a small step. It would end only the AFDC cash payment, only for single parents 17 or under, and only insofar as the cash payment is federally funded. To see how small this step is, consider that this aspect of the bill would have no impact whatsoever on any current welfare recipient or on a minimum of 95 percent of the new recipients in its first year.

Nevertheless, Mr. Chairman, the change is important. Let us see how it would operate in practice. As I said above, in any given year no more than 4-5 percent of the new welfare caseload consists of unmarried moms 17 or under. After the Personal Responsibility

Act went into effect, that number would go down. Since the Act begins to tell young people the truth—that parenthood means responsibility and sacrifice, not independence and security, fewer teenagers would make the decision to become unmarried moms. But of course a number would become pregnant nevertheless. These moms would continue to be eligible for food stamps, health care, energy assistance, and all other benefits as they are now, but not federally funded cash benefits. Instead the states would have wide discretion to offer them other kinds of assistance, which would, I expect, include the following:

First, I hope that these young people will all have to consider the alternative of adoption. Parenting means acting in the best interests of children. Any responsible welfare system will gently but clearly confront unwed teenage parents with the question of whether their child would be better off being raised by a mature couple. Many young parents will decide this question in favor of adoption. No mother should ever be forced to give up her child, but the very act of confronting the alternatives is part of the process of understanding the sacrifice necessary to raise a child.

A number of these young unwed parents—and they only constituted about 4-5 percent of the caseload to begin with—would choose adoption. The states are empowered and encouraged under the PRA to assist the adoption process in every respect. Many other young parents would decide to keep their children. Of these parents, many would have some family resources, or work skills, at their disposal. These young parents may only need Medicaid, or subsidized day care, or transportation vouchers, or parenting classes, or some other discrete assistance, in order to raise their children. Under the PRA, the States have maximum flexibility to match assistance to the unique needs of these young parents.

There will be a fraction of these single teen moms who want to keep their children but who have no skills of their own and no family resources. Under the PRA, the States would be empowered to use federal money for the kind of care these children really need—residential care, in a closely supervised, nurturing environment where they can be taught work, parenting, and life skills, and have some hope of eventually being able to provide for themselves. Mr. Chairman, this group home concept has been criticized as unaffordable. I remind the committee that we are talking about at most 1 or 2 percent of the new caseload every year. I say that we cannot afford not to empower the states to provide group homes in these circumstances. Those teen moms are children themselves, often living in drug and gang infested neighborhoods with no family to speak of. They need protection and care, not a cash benefit from an impersonal bureaucracy that will leave them vulnerable to greater exploitation.

Mr. Chairman, the movement in the PRA away from cash benefits affects only a small fraction of the prospective caseload, and only as regards federal funding. It is the least we can do and still honestly say that we are changing the existing system at all. I urge the committee to stand firmly by this portion of the PRA. Reducing the out of wedlock birthrate must be the highest priority of any welfare reform legislation. Without it, we run the risk of merely making the current system a more efficient destroyer of families. Without it, we will lose our best chance, and maybe our last chance, to attack the problem of illegitimacy, by basing our welfare system on the dignity of work and the power of healthy families.

Mr. MCCRERY. Thank you, Mr. Talent.  
Mr. Hutchinson.

**STATEMENT OF HON. Y. TIM HUTCHINSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS**

Mr. HUTCHINSON. Thank you, Mr. Chairman.

I appreciate the opportunity to address you on the issue of welfare reform today. We have built a welfare system in which the main beneficiaries are not the poor, but those whose livelihood is the poverty industry. Federal welfare has failed miserably.

America for more than a century-and-a-half did not have a national welfare system, but Americans always found a way to help the down and out, the hurting, and the less fortunate. Since the declaration of the war on poverty in the sixties, we have spent trillions on welfare programs while not significantly reducing poverty, but the perverse incentives built into the system have contributed greatly to the disintegration of the low-income family.

This system essentially offers each mother a package of benefits worth between \$8,500 and \$15,000, depending on the State. This paycheck is subject only to two conditions, she must not work and she must not marry an employed male. One sad result of this system is that marriage has become economically illogical for low-income parents.

The low-income working husband is no longer the chief breadwinner, but instead a net economic handicap. The institution of marriage, designed to care for and nurture children, becomes a financial penalty for low-income parents who enter it. We have always had a poor class in our society, but because of the system that Washington has created, we now have not a poor class but a welfare class.

This welfare culture now spans three generations. Children reared in families that receive welfare are three times more likely to be on welfare when they become adults. Of the 4.5 million households currently receiving AFDC, well over half will remain dependent on the program for over 10 years. Our welfare system isn't a life preserver but a lead weight.

But the greatest tragedy of our welfare system has been its impact on out-of-wedlock births. During the 30 years of the welfare state, illegitimacy has soared from 4 percent of all births to an astonishing 32 percent. It is clear, Mr. Chairman, that we must have dramatic and fundamental changes in a welfare system gone awry.

We must not make the mistake of the cook who thinks that by adding a pinch more salt or a teaspoon more soda that there will be a radically different outcome. When it comes to welfare, we need a whole new recipe. In recent years, there have been numerous welfare reform efforts. All have been incremental in nature, all have involved more government programs, all have failed, and in fact have exacerbated the system.

I believe that the Personal Responsibility Act included in our Contract With America will finally end welfare as we have known it. It will comprehensively change the system because it includes serious work requirements and the end of the individual entitlement nature of welfare, a cap on spending, a family cap that would prohibit increased welfare for additional children born while on



welfare, a requirement for paternity establishment, greater State flexibility, and most importantly, an elimination of the subsidy for unmarried teenage mothers.

The link between welfare benefits and the rise in out-of-wedlock births has been documented in a number of recent studies, which I include for the record in my written comments.

Professor C.R. Winegarden at the University of Toledo, "AFDC and Illegitimacy Ratios: A Vector Autoregressive Model," *Applied Economics*, March 1988, pp. 1589-1601; Professors Shelley Lundberg and Robert D. Plotnick of the University of Washington, "Adolescent Premarital Childbearing: Do Opportunity Costs Matter?," June 1990, paper presented at the May 1990 Population Association of America Conference in Toronto, Canada; (M. Anne Hill and) Professor June O'Neill of Baruch College, "Underclass Behaviors in the United States: Measurement and Analysis of Determinants," New York: City University of New York, Baruch College, March 1990, p. 28, research funded by grant no. 88 ASPE 201A, U.S. Department of Health and Human Services; Professor Robert Hutchens of Cornell University, "Welfare, Remarriage, and Marital Search," *American Economic Review*, June 1989, pp. 369-379.

But common sense drives us to the conclusion that a system that says to a teenage girl we will give you a government-subsidized apartment, government-subsidized health care, food stamps, child care, and a cash allowance on the only condition, the condition that you not get married, not get a job, that you have a baby, that such a system will result in more and more of out-of-wedlock births.

At the Blair House welfare session this past Saturday Senator Moynihan made a dramatic presentation on the growth of illegitimacy. Then the President asked Senator Moynihan whether he believed that denying cash benefits would reduce out-of-wedlock first births. He replied that he didn't know, but that it was worth a try.

Indeed it is. Critics assert that it is heartless to deny cash benefits to unwed teenage mothers, but true compassion will end this insidious subsidy, true heartlessness will continue it.

Finally, Mr. Chairman, it is clear to me that the great untapped resource in the welfare reform debate is our churches, synagogues, and charitable institutions. Many of our States and cities are rediscovering this great fact.

I would point to the work of Mississippi Governor Kirk Fordice in this area. I am enclosing an article on his Mississippi Faith and Families Project. If every church in America adopted one welfare family each year and supplemented government public assistance with compassion, support, encouragement, and accountability, America's welfare class could be infused with a new sense of dignity and hope.

Mr. Chairman, we have to be willing to try some completely new ideas. We need to rebuild the welfare system and bring new hope to its recipients.

I appreciate very much the work that this Committee and its Chairman has done on this issue. Appreciate your indulgence today.

Thank you, Mr. Chairman.

[An attachment to the prepared statement follows.]

# Real welfare reform

*Mississippi's challenge: Will the church be the church?*

Mississippi governor Kirk Fordice, his Department of Human Services director, Gregg Phillips, and his official spokesman, John Arledge, sat in the governor's 20th-floor government office in Jackson, Miss., months ago, discussing the upcoming year's agenda. Eventually the topic turned to welfare.

Already Mr. Fordice's staff had managed since Feb. 1993 to decrease the state's AFDC

rolls—the Aid to Families with Dependent Children program, which is most commonly associated with welfare—from about 64,000 to 55,000.

Nationally 4.1 million are enrolled. The governor's crew cut their numbers by "skimming the cream off the top" of their AFDC recipients pool, says Mr. Phillips, in other words, they concentrated on securing job

training and placement for AFDC's most promising candidates.

But in seeking further progress, the 60-year-old Republican Fordice—a self-made construction contractor who came from nowhere to defeat incumbent Democrat Ray Mabus in 1992—and his two aides were stumped. "What in the world do we do now?" Mr. Phillips recalls them essentially thinking out loud.

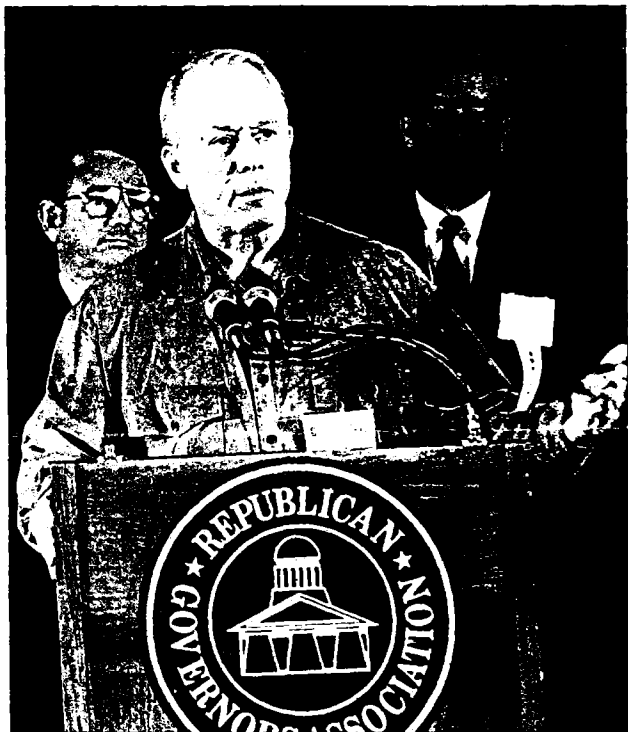
As they brainstormed, they looked out the governor's large windows. The view is spectacular: First is the state capitol dome, resplendent with its golden eagle; then several church steeples among an amalgam of government and business buildings; finally, in the distance, are large clumps of trees looking like green islands in a welfare ocean called West Jackson.

"All that really is underneath those trees are a lot of folks wishing they had some hope," Mr. Phillips says.

As the three talked, an idea emerged. In essence, they began to formulate a plan that would combine the power residing under the capitol dome's eagle and the compassionate direction represented by the church steeples to offer hope to drowning welfare recipients.

Fastforward. It's been months since that meeting, and on Oct. 19 Mr. Fordice held a news conference after speaking with about forty of the state's top religious leaders. There he announced an ambitious initiative entitled "The Mississippi Faith and Families Project."

The remarkably simple plan will match via "blind profiles" from a specially programmed state computer a local volunteer church with an interested welfare family living within two miles of the church. (If the church is in an affluent area, it will get a suitable match from its broad geographic area.) The welfare families will be drawn initially from AFDC recipients already voluntarily seeking state job training. The goal is for churches and synagogues—Mississippi has 5,000 total—to provide that job training, along with intangibles like compassionate emotional and physical care and tough love, and eventually lift the family off the government rolls and into self-reliance.



Asking churches to help welfare recipients and governmental dependency, Kirk Fordice speaks to fellow GOP governors last

PHOTO BY AP/WIDEWORLD

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vision for this program is the unleashing of the type of community interaction and neighborhood spirit that once existed in this country before the government ever decided to invent welfare." Mr. Fordice said at the press conference, "I see a Baptist deacon helping a young mother find a job at his company; a group of United Methodist Women helping tutor an 'at-risk' student in English; a member of a Jewish synagogue enrolling a family's children in their members' child-care program; or a Catholic priest arranging transportation for a father who is down on his luck. This is the type of positive involvement that government could never provide.... Meeting physical needs is an important part of this project, but the spiritual benefit this effort could bring about is even more crucial."

Predictably, the governor's announcement was met with disdain by the local chapter of the ACLU, which asked for a meeting with the governor to discuss the "potential ramifications" of Mr. Fordice's proposal.

"I have nothing to say to those people," said Mr. Phillips. "We have asked the churches to help get people off of welfare. How do you attack that?" And notable liberals like Rims Barber, of the Mississippi Human Services Agenda, whispered that "this plan could make welfare recipients feel like they were begging again, and that is demeaning." But Mr. Fordice's math tells the true story: under his plan, people might actually get a dignified chance to realize themselves as full humans instead of round numbers.

Currently each of the state's welfare case workers handles about 300 families, making it impossible to offer appropriate personal attention and oftentimes ensuring that these families don't progress beyond government handouts. "With the help of these churches, we can involve an entire congregation in the lives of a welfare family," said Mr. Fordice. "Instead of one state employee handling paperwork for 300 separate families, we can have 300 church members caring for one welfare family. In fact, if every church, synagogue, or religious organization in the state of Mississippi would adopt at least one welfare family and bring them to self-sufficiency in one year, we could remove all of Mississippi's families from the welfare rolls in 12 years."

Ronald Moore has signed on. Mr. Moore, 34, pastors two black, National Baptist denominational churches—Stronger Hope Baptist Church in a middle-income neighborhood in Jackson and Greater Fairview Baptist Church in a low-income area of Pickens. He asked to be the first pastor to implement the Fordice plan, and expects that as the bugs are worked out many more of the estimated 500 National Baptist churches in the state will come on board.

"Everything else that we've tried hasn't worked and our current system isn't working," Mr. Moore said. "Something else has to be done. We'd cheat ourselves and our state and our nation if we failed to move forward on this."

The state has six regional meetings planned before Thanksgiving to explain their initiative to local ministers, and a major effort planned to orient case workers and educate and recruit a volunteer pool of AFDC recipients. But even before the first meeting, positive response from local churches and many AFDC recipients was "overwhelming," says Mr. Phillips, the DHS director. "Many [AFDC recipients] have demonstrated time and time again that they want off public assistance."

Currently in Mississippi, the average welfare family is a single mother (80 percent of whom are black) with two to three children receiving \$120 from AFDC, \$304 in food stamps, a \$350 HUD housing allowance, \$84 in utilities vouchers, as well as an undetermined amount in Medicaid—for a subtotal of \$858 a month.

Mr. Phillips thinks that in a couple of years, another 15,000 welfare families could be freed from what Mr. Moore calls "a cycle of continuous non-self support."

Already several Mississippi churches have made getting off welfare either a membership criterion or goal. Several of those pastors attended Mr. Fordice's special religious leaders gathering, among them Phil Reed, pastor of Voice of Calvary Fellowship, floundered by national evangelical leader John Perkins.

Mr. Reed told *World* that while some of the pastors were skeptical, believing that Mr. Fordice's true goal was simply to cut his welfare budget, he chooses to "take the governor and Gregg Phillips at their word.... Do they really mean what they say that their concern is to develop people and not simply cut the budget?... Gov. Fordice is making a good try and I would hope people would give it a chance to work. We've got to do something."

**F**orest Thigpen, president of the Mississippi Family Council, also attended the special meeting. "I think it's a great concept," he said. He nonetheless noted some long-term policy questions worth considering. For instance, if a church declines to participate, or if an AFDC participant files a complaint about their sponsoring church, "Is the state going to have some opportunity to impose sanctions on the church?" And over the even longer term, asks Mr. Thigpen, "Will it get to a

God, not government, will be the savior of welfare recipients

point where the tax-exempt status of churches is granted only if they agree to do certain kinds of things?"

Mr. Thigpen and others say they are encouraged by the governor's bold initiative and his desire to involve them on an ongoing basis in the project's development. "There are going to be some misfires before we're all said and done," acknowledges Mr. Phillips.

Mr. Phillips says they have no desire to create a regulatory monster. "We want to take the regulation off," he said. "What we envision is an ability to be flexible.... We don't want to be structured to say, 'You have to do it this way.' Churches will create review boards, and screen 'blind profiles' of several nearby welfare candidates. They will be encouraged to choose the candidate for whom they as a church are best equipped to provide the basics of education (often in the form of a GED), job training, and life skills. From a list of five or six local candidates for help, one church operating its own day-care center might choose to help a single mother interested in developing day-care skills. Another church where a layman has a construction position available might choose their participant accordingly."

All, however, must bring a willingness to offer time and energy to do what the state can't. In the words of Mr. Thigpen, that is "provide the compassion to meet the true needs of the family but the accountability to make sure the family does not remain in the condition that they're in for any longer than they need be."

Mr. Phillips believes that simply by hooking willing welfare recipients—many of whom typically don't attend church, he says—into a local congregation, progress will already have been made. He cites statistics from a Heritage Foundation study saying that youths involved at all in a church are 80 percent less likely to drop out of school, commit a crime, or have an unwanted pregnancy.

Even the Gannett-owned *Clarion-Ledger* newspaper, the state's largest, editorialized that the effort "may be useful," stating further that the "governor makes [a] valuable reminder" that "we are our brother's keeper."

And from his rather spectacular 20th-floor vantage point, Gov. Kirk Fordice is sitting on a hunch: "In an era when there are those who worship the power of government," he says, "I think we will find in the final analysis that God, and not the government, will be the ultimate savior of a generation of welfare recipients."

—JOE MAXWELL

Mr. Maxwell is a freelance journalist who lives in Lumberton, Mississippi.

Mr. MCCRERY. Thank you, Mr. Hutchinson, and thank all of you for your very good, well-thought-out, well-reasoned testimony.

Now, if Ms. Dunn would like to inquire of our witnesses.

Ms. DUNN. Thank you, Mr. Chairman, and thank you, Mrs. Meyers and gentlemen. I, too, thought it was very clear and precise testimony, and I appreciated your summing up some things that we have been hearing for some time.

I guess I am most troubled by what might be called an overview of this whole problem we are trying to face. A week or so ago Bill Bennett was here with a panel of people who looked at the values side of the ledger and they talked about a stigma attached to being an unwed mother or to being a young man who commits five pregnancy acts in order to become a member of a gang, something like that.

I would like to explore your thinking on what we can do right now with the ability that we have to influence legislation that may be a first step and then what you see the needs to be for us in our communities, in our churches in our Nation, and maybe even in the Federal Government as to solving this overall problem over the long term.

Mrs. MEYERS. Well, if I may, I think the payment that the Federal Government has been willing to give has made out-of-wedlock births not only acceptable, but in some instances, as you mentioned, almost desirable. I think it has a great deal to do with values.

I think we need to begin to back off in a slow and compassionate way, and that doesn't mean ending all benefits tomorrow. It means giving the States a great deal more flexibility, and withholding cash payments for young women under 18. I don't know exactly the numbers on the Contract bill, so let me talk about the numbers in my bill as an example.

If you freeze AFDC and send it back to the States as cash grants, and do not permit benefits to anyone before 18 and unless the father is identified, at the Federal level that saves \$8 billion over 5 years. The significant part of it, in relation to your question is that because AFDC is a 55-45 percent program—the Federal level 55 percent, the State 45 percent, when the Federal Government saves \$8 billion, it frees up \$6 billion at the State level, that they have been mandated to spend in a specific way. They are no longer mandated to spend the money that way, and it frees that money up.

It means that States are going to be able, if they have the flexibility, to handle those emergency situations. A young woman who receives food stamps and Medicaid and can go on living at home is going to be fine. We know there are some who won't be able to go on living at home, and the States will have \$6 billion with which to respond to those emergencies with. I think that we can restore values and quit endorsing the idea of unwed parenthood at the same time that we are not punishing young people.

Mr. TALENT. I agree with Mrs. Meyers. I think that the block grants emerging in the bill should give the States discretion to use those funding lines affirmatively to provide incentives for the right conduct and to try and instill the right values. I wouldn't want the Federal Government to tell the States how to do that. I think that

is a bad business for us to be getting in and I would make two other points in connection with that.

One, I think while we ought not to control the means by which the States do this, it is very appropriate for the Congress to demand accountability, so that they are not continuing programs that don't have the desired effect.

And the second thing I hope, and this is just a general comment, I think Mr. Bennett is right in saying as a society we ought to move toward stigmatizing behavior. I think we can do that without stigmatizing people, and it is very important that we observe both ends of that equation, and I am sure that he would agree with me on that, that just as we say, look, there is some conduct that you ought not to engage in and that is wrong, but that doesn't mean that we are going to abandon you if you do, and there is no reason we can't walk that line.

Mr. HUTCHINSON. I think the distinction that Jim makes is very important. There does need to be a moral dimension to the issue; and the denial of the cash benefits does say this isn't proper behavior and that our society doesn't approve of the behavior. The denial of the cash to the under-18s will provide us a small pool from which we can determine whether behavior is affected, and I think it will demonstrate that, in fact, out-of-wedlock births will decrease, and the withdrawal of the massive Federal role will allow the States greater latitude, and I think they are going to do some very creative things in the private sector and the charitable sector into a greater supplementary and complementary role of what we have done on the government side.

Mr. MCCRERY. Thank you, Ms. Dunn.

Mr. Levin.

Mr. LEVIN. Thank you.

Let's continue this because I do think it is worth seeking some common ground here. My own judgment is that welfare reform possibilities will be enhanced if we look for what ties Members together instead of what tears us apart or pulls us apart or separates us. So let's talk about the tension between flexibility and Federal mandates.

Your position is that there ought to be, as Mr. Talent says, States have maximum flexibility to match assistance to the unique needs of these young parents, and I think we share very deep feelings about the need to diminish births out of wedlock. But you don't want to give the States the flexibility to provide a cash payment under any circumstances, and also until the father, Mrs. Meyers says, is absolutely identified.

Now, let me ask Mrs. Meyers what happens if the mother gives the name and the State is not able to follow through?

Mrs. MEYERS. Well, they are supposed to give the name now, Mr. Levin.

Mr. LEVIN. But say they do. Say they do.

Mrs. MEYERS. And in those areas where there is a real attempt being made to identify the father, there is a high degree of success. Frequently the father comes to the hospital. If the social worker makes a real point of identifying the father on the very first contact that she has with the mother, there is a high degree of success. It is that—

Mr. LEVIN. Let's say in 15, 20 percent of the cases, whatever it is, no one is quite sure, there is an effort and the father disappears. Now, you are saying that the cash payment should be denied?

Mrs. MEYERS. Yes. In my bill, and I honestly don't quite know what it says in the Contract bill on this particular instance a State could not use Federal money to make a cash payment. As I said, about \$6 billion would be freed up at the State level to respond to emergencies, such as those cases where the young woman couldn't live at home, or cases where it was impossible to identify the father for one reason or another.

Mr. LEVIN. So the States could use those funds?

Mrs. MEYERS. In emergency situations, the States can use State funds to assist as I say, for both under 18 and if the father is not identified. You would have to allow the States enough flexibility, but I do believe there should be a Federal mandate that will say that there should be no Federal moneys used unless both parents are 18 and unless the father is identified. I think there has to be some flexibility at the State level for States to be able to respond to true emergencies.

Mr. LEVIN. What is the source of the State moneys?

Mrs. MEYERS. As I say, right now AFDC is a 55-45 program; 55 percent—

Mr. LEVIN. Right, I understand.

Mrs. MEYERS. And food stamps is totally Federal, of course. Medicaid is about a 50-50 program; 50, Federal, 50, State. I am not sure of the proportions on housing.

Mr. LEVIN. OK. But so you are saying that States could use moneys that they otherwise would have matched to provide for those funds?

Mrs. MEYERS. Yes. I am saying that States make a large contribution to welfare right now, and a great deal of money would be freed up, not just from lower caseloads, which I firmly believe will happen, Mr. Levin. I think we will see a dramatic drop in teenage pregnancy, but there is also, I think, going to be a great deal of money freed up in the bureaucracy.

I know that Governor Thompson of Wisconsin requested a variance from the welfare program during the Bush administration. This is a Republican Governor, asking a Republican President for an exemption, and it took him 3 years, and a great deal of effort, to get that variance from the Federal program. There is an enormous amount of bureaucratic time and money spent in trying just to attempt an innovative practice.

Mr. TALENT. Could I add a brief comment to that, Mr. Chairman?

Mr. LEVIN. My time is up. I hear Mr. McCrery tapping politely.

Mr. TALENT. I welcome the gentleman's comments about finding common ground and I could not agree with him more. I got involved in this issue the middle of last year and found a real responsiveness among people who were not of my philosophical persuasion, but what Mrs. Meyers said I think is an important thing.

The bill, because of its block granting, should free up a lot of State dollars which are now tied down in matches, and the States can fund things out of their own dollars that the bill prohibits being funded from Federal dollars. I will give you an example.

In this group home concept, if you have a young woman in a group home who is moving along in the curriculum, one incentive that the States could offer out of their own dollars is we will provide a little cash for you because you are doing so well, that will be State funded. I mean this will open up opportunities for the States again to be flexible. The tension between how much flexibility you allow and whether you have any mandates is something we are all going to encounter as we move down this road and people draw the line at somewhat different places.

Mr. LEVIN. A lot of Governors don't agree with that.

Mr. MCCRERY. Thank you, Mr. Levin.

Mr. LEVIN. Including Republican Governors with that kind of a Federal mandate.

Mr. MCCRERY. Mr. Ensign will inquire.

Mr. ENSIGN. Thank you, Mr. Chairman.

Mrs. Meyers, you brought up a little bit about deadbeat dads and trying to pursue them, and I think that all of us would agree that we want fathers taking responsibility for the children that they do father, financial responsibility especially.

I mean, obviously they are not taking any of the other kind of responsibility for them so at least we want to try to get them to have financial responsibility for their children. I don't know if you are familiar with any of George Gilder's works, but he mentions something in there and I think it is something that needs honest intellectual discussion, and that is when we pursue these deadbeat dads, do we then drive more of our economy underground because to avoid showing a \$20,000 income, do they start going to construction jobs that pay cash under the table? It is a legitimate concern I think in our economy, the more that we pursue, the more we end up hurting the overall system. Your comments?

Mrs. MEYERS. I think that is the next problem down the road. Right now I think what we really need to do is send a strong message to young men that they are going to be forever identified as the father of a child and that they cannot father five children with three different women and just walk away.

I think we need to make a strong national statement that we require the identification of that individual. I don't think men are monsters. I think if they think that they will forever be financially identified as the father of that child, many of them may decide to be the father of that child. It is going to require an alteration of behavior.

We have altered behavior tremendously in the last 20 to 30 years with our Federal policies, and I think we need to change it back to where you take responsibility for your own children. What you say may be true, but I am not as concerned about that as I am about the fact that people just walk away from their children. There is much evidence that indicates that young people, children who get a bad start in life—some of them, not all, but some have no structure—no father in their life, some don't have enough food and clothing, and they are the ones who cause the problems, as Mr. Talent indicated in his testimony. They have problems all their lives with education, health, and crime.

Well, what are our three big problems in this country? They are education, health, and crime.

Mr. ENSIGN. Right, there is nobody who wants to correct this problem more than I do. I grew up with a deadbeat dad who didn't pay child support. Mr. Chairman, I would like to yield the balance of my time to Ms. Dunn. She has a question, if that is OK.

Ms. DUNN. Thank you very much, Mr. Ensign.

Mr. Talent, you spoke with sensitivity about an issue that must be sensitively handled, but has really troubled me, and that is the issue of your suggestion to gently counsel young unwed mothers that they can give their child up for adoption. I just think that so many of our problems in this area start there, where the young girl in the effort to get away from her home has the child and then locks that child into this cycle of poverty and all the other negatives that we have been talking about. I just wonder if this sort of counseling is done now in a practical sense, and what are your thoughts on it?

Mr. TALENT. Well, very unevenly, and I would say nowhere near to the extent it should be. It is a win-win situation if it is done right. I mean, the statistics tell us what everyone knows, which is that the child's life expectancies and hopes go up by thousands of percent if the adoptions occur.

I agree with you and I think this will nudge the States in that direction because every time that a successful adoption occurs, the State has dealt with the problem then if for no other reason I think that they will encourage this kind of program. It has to be done carefully.

One other point I would make, it is part of changing the system so it starts sending a truthful and right message. These are the kinds of difficult, gut wrenching decisions you have to make if you are adopting the right attitude toward your children. You have to make these difficult decisions, and I think a teenager who decided to keep her child after clearly confronting the alternative of not doing it is in a much better position than to go ahead and understand, well, now I have made this decision, now I have to do this and this and so to be able to be a good parent.

Ms. DUNN. Thank you.

Mr. MCCRERY. Thank you, Ms. Dunn.

Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman. I would like to get into this debate for just a moment. As we sit here in this lovely room, it is easy to talk about counseling the young woman to put her child up for adoption and that, yes, in the long run that child could be very much better off, go to another home where there are more comforts, two parents working, but I think we have to bring a little reality into this. Sometimes, in fact often, with the history of the world, there have been unintended pregnancies. When a child, the 17 and under person, is pregnant and then has the baby, that child becomes a mother, and there is a life connection, and so I think we should be very careful that when we speak about adoption that we realize that it is not as easy a decision as taking a child, making the decision to give up your child, and that historically is a very difficult decision.

Mr. Talent, I am looking at your testimony, and you say since the act begins to tell young people the truth that parenthood means responsibility and sacrifice, not independence and security,



fewer teenagers would make the decision to become unmarried moms. Now, I just don't think there are too many teenagers around reading the statutes that we produce. What are your other suggestions for letting people know this now is the intent. Are you talking about education in the schools? Are you talking about Planned Parenthood help advising?

Mr. TALENT. Sure, the bill would allow the States discretion to try and deal with all kinds—

Mrs. KENNELLY. I am talking about you. You are very active in this, you have got testimony. We have a problem here, we have a terrible problem, young people having babies, how do you perceive getting the word to them so they end this activity?

Mr. TALENT. I am trying to answer your question. I was in the State legislature for 8 years. I was a strong supporter at the time of trying to make certain that sex education was abstinence-based, for example, to try to send this message through the schools. I don't think it is appropriate for me as a Federal officer to try to mandate that the schools do it and the States do it in that way, that is up to them.

That is the kind of avenue that I would pursue. In terms of letting them know about changes in the system, people don't necessarily read the statutes, but I think they do become aware rather quickly of the options that are available to them in terms of a public subsidy, and I think the word would get out rather quickly that the benefit packages have changed, that the States' expectations are different, that you now have to do thus and so and thus and so in order to get this kind of a benefit, so I think the word would get around pretty quickly. I certainly have no problem with suggestions about how to publicize it to make certain that people in that situation were aware of it.

Mrs. KENNELLY. So you are pretty well convinced that the reason for these teenage pregnancies is the fact there is a cash benefit?

Mr. TALENT. Yes, and the benefit package in general. I wouldn't say it is just that, but the availability—I think if you look at the position that young people in these circumstances are in and there are other options, I think we have made it rational in the short term for them to decide to have kids that they otherwise want to have before they would have, normally have the child and without being married.

I think that is what the benefit package does, it makes it appear to be rational to do that, and I don't think they are—in terms of the options they are facing, I am not even sure if I am saying they are making a mistake in terms of those options. What happens is they find out in the long term, having done this, that they are now set off on a road that is a dead end because, as Ms. Dunn said once, you have a child under those circumstances, you are not married, you don't have a work skill, then you really are in trouble, then you do have a couple strikes against you, and it is how you help people in that circumstance is very difficult, but what we ought to do is try to make sure to the extent we can we help them not get in those circumstances in the first place.

Mrs. KENNELLY. I agree with you, I think they are in trouble and the child has strikes against him and the mother has difficulty getting off welfare. The fact is this is not a new problem, we have had

it for a number of years, and that is why I don't want to have some—well, it is going to happen. Are you at all worried that we might increase the number of abortions?

Mr. TALENT. It is a concern I have, but after considering it, I am convinced that both in the short and the long term that this would result in a reduction, and in the first place the pool of people, it will result I think in the number of out-of-wedlock pregnancies, and whatever else we know about it, abortion, we know it is much more common among moms who aren't married when they get pregnant than among moms who are.

The second thing is the values that we are trying to change the system to send, the message that we are trying to change the system to send is, look, you don't have a child to get love, as understandable as that is, you don't have a child to meet any of your needs, as understandable as it might be. Having a child means you give, you sacrifice, and once we can infuse those values among people, I think that is inconsistent with the growth rate of abortion. But, yes, I have that concern.

Mrs. KENNELLY. One other point I just wanted to make before I finish is that that 4 to 5 percent, that is new cases each year, it is not of the whole, that is every year there is 4 or 5 percent new children in the system of teenage pregnancies, 17, 18 and under?

Mr. TALENT. That is about the best guess. Actually, the data is surprisingly imprecise on this, but I think the best guess we have is 4 to 5 percent of the new welfare moms each year are kids under 18. It is not a big part of the caseload.

Mrs. KENNELLY. But it is the new, that 4 to 5 percent isn't of the base, it is of the new each year?

Mr. TALENT. That is right.

Mrs. MEYERS. I just wanted to mention at the welfare meeting we attended this weekend, Governor Carper indicated he has sought a variance, and will not make payments to those under 18 after 1996, I believe, and he is publicizing it with public service announcements.

Mrs. KENNELLY. Public service announcements.

Thank you, Mrs. Meyers.

Mr. MCCRERY. Thank you, Mrs. Kennelly.

Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman. I am glad you mentioned that, Mrs. Meyers. It is kind of a rule of thumb belief that the cash subsidy is an incentive, and if I understand Governor Carper, it is his intent that at a point in time down the road, those cash benefits will cease, that doesn't affect anyone who is in the system today, doesn't affect anyone who will come into the system until that date; is that the way I understood you?

Mrs. MEYERS. Yes, and in fact in my legislation, and I believe also in the Contract bill, these requirements that Federal money not be used for payments for those under 18 and until the father is identified are forward looking. We are not requiring States to go back in their caseload and require a woman who has been on welfare for 8 years to come up with the middle initial, date and place of birth of a man that she may not have seen for 6 years and didn't know very well. This is something which must be done ahead of

time. But we need to let people know that this requirement is going to be there.

Mr. COLLINS. But that is what I am saying, it is a point of time in the future that this would take effect, it would not affect people in the system today?

Mrs. MEYERS. Yes.

Mr. COLLINS. I think that is a point that really needs to be clear.

Mrs. MEYERS. That is correct. It would not affect those who are already collecting welfare. It is prospective, forward.

Mr. COLLINS. That is right. Also, you said it will help to identify the father, and that, too, is in the future, and, two, not giving those cash benefits to someone who is underage will encourage more parental responsibility in the future, too.

Mrs. MEYERS. I believe that strongly.

Mr. COLLINS. Now is it not true, also, though, that even though cash benefits will not be given, health care and nutrition would be available?

Mrs. MEYERS. In my bill they would be, in the Contract bill I think a great deal of flexibility is left to the States, and I presume they would be.

Mr. COLLINS. But all of it is in the future?

Mrs. MEYERS. Yes.

Mr. COLLINS. We are only talking about eliminating cash benefits, but continue giving health care and food stamps or nutrition?

Mrs. MEYERS. Yes.

Mr. COLLINS. Thank you very much.

Thank you, Mr. Chairman.

Mr. McCRERY. Thank you, Mr. Collins.

Mrs. KENNELLY. Mr. Chairman, could I just make one more point?

Mr. McCRERY. Sure.

Mrs. KENNELLY. I know Mrs. Meyers heard so much this weekend at the meeting at the White House, but I think I have been told that what Governor Carper did say was that the seriousness of changing the rules, that he was going to have public service announcements, he was going to make all sorts of effort to get the word out that it is over for teenage moms, but he didn't intend to come in with the end until 1999, not 1996.

Mrs. MEYERS. Oh, 1999, I see, all right. Well, I had the year wrong, and I thank you for correcting me.

Mrs. KENNELLY. That is my concern is getting the message out. You know, everyone in this room, I am sure knows this is not a good thing, but to get the word out into a society that has accepted this as ongoing behavior is fairly acceptable behavior is going to be a bit of a job.

Mrs. MEYERS. Thank you.

Mr. McCRERY. Thank you all very much.

Our next panel is Mr. Stenholm, Mr. Clement, Mr. Deal, Mr. Tanner, and Mrs. Lincoln.

Mr. COLLINS [presiding]. Welcome. Nice to see you, Mr. Deal. It is always a pleasure to see a fellow Georgian. We will start with Hon. Charles W. Stenholm from Texas.

Mr. STENHOLM. I will defer to Mr. Deal.

Mr. COLLINS. You will defer to Mr. Deal. Mr. Deal from the Ninth District of Georgia.

**STATEMENT OF HON. NATHAN DEAL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA**

Mr. DEAL. Thank you, Mr. Chairman. It is my pleasure to be here and those of us who worked on this are pleased to be able to testify before your Subcommittee today and thank you for this opportunity.

I would like to briefly summarize the proposal that we have prepared and will be soon introducing. First of all, our bill has three very simple goals. The first one is to put emphasis on moving people off the welfare rolls and into the work force. Second, is to require a great deal of an increase in individual responsibility, and third is to give States greater flexibility.

We see several problems with our current system as it relates to that first goal of moving people off welfare into work. First of all, our current system exempts over half of the caseload and requires less than 12 percent of that caseload to participate in JOBS Programs, so the present system does not really put the emphasis on work, but encourages that continued dependence.

Second is, and one of the reasons for this is the States don't receive the necessary resources in order to move people into the job training part of the present plans. In fact, right now only 14 States draw down their total Federal allotment for this particular JOBS Program and 10 States draw down less than 50 percent of the funds that are available to them now because they don't have the additional resources necessary to do that.

Third is that the current system does not give any incentives to move off the welfare rolls and into work. Several reasons. Loss of health care, child care needs are not usually met, and there are disincentives for families built into our present programs.

Our bill addresses this issue of work in several ways. First of all, we believe that our reform bill will move more people into work programs than any other comprehensive bill that is going to be placed before you. In fact, we think that it will be over four times greater than those who are currently in the JOBS Programs.

Our bill provides incentives so that individuals will move from welfare to work, first by extending the transitional Medicaid benefits from 1 to 2 years, by giving States greater resources to provide child care facilities, and it allows States the option of eliminating the so-called 100-hour rule or any disincentives to a marriage situation.

Our bill also states that resources will be provided so that States can develop their own programs, and we do this by increasing the share of the current matching rates for the JOBS Program to 70 percent or the Medicaid rate plus 10 percent, whichever is greater.

The problems with our current system as it relates to the second area, that of individual responsibility, is that it places very little responsibility on the aspect of work and job search. Second, there are no time limits for welfare recipients who become dependent on welfare as opposed to those who would seek a job.

It also, as we know, we have seen tremendous increases in teenage pregnancy rates and the child enforcement provisions have

very little teeth in them. In fact, much of that goes uncollected. Estimates are that some 63 percent of absent parents contribute no child support and that there is an estimated \$34 billion of child support that goes uncollected each year.

Our bill addresses this area of individual responsibility in several ways. First of all, it requires that an individual engage in a minimum of 30 hours a week of activity, that at the beginning they sign an employability contract, and that they begin a job search immediately. Our bill would set a 2-year time limit on what we call the Work First Program and it gives States the options of providing community service as an additional alternative.

As far as teen pregnancy is concerned, it calls for a national campaign to prevent teenage pregnancy with funding for that program. It would prohibit minor mothers from public housing and require that minor parents live at home or with another responsible adult. It would give States the option to deny AFDC cash benefits for additional children.

As far as child support enforcement, we would place stronger requirements for paternity establishment. We would have penalties for those who do not pay child support, including wage withholding and reporting to credit bureaus. We would in fact hold grandparents liable for the support payments for minors if their children—if their children who are the parents are themselves minors. It would provide a State option to allow noncustodial parents, that is in most cases the male noncustodial parent, if he is 25 and under, to also participate in a public work off so that he could pay for the benefits of child support that he has not paid.

The flexibility of our current system is the third problem area. First of all, there is too much difficulty obtaining waivers through our present bureaucratic process; second, States don't have the ability to implement the work programs they might choose; and third, States don't have the option of dropping recipients who fail to cooperate.

Our bill addresses these very quickly in several ways. It allows States the option of developing their own work programs. It has a State option for the development of community service programs, and it consolidates child care programs into a block grant to give them flexibility there.

Mr. Chairman, very briefly, that is an overview of the program that we have proposed in legislation and will soon be introducing. There is a second element of that that Mrs. Lincoln will address as it relates to SSI. I would ask her to present that at this time.

[The prepared statement follows:]

**TESTIMONY OF CONGRESSMAN NATHAN DEAL**  
**SUBCOMMITTEE on HUMAN RESOURCES**  
**HOUSE COMMITTEE of WAYS and MEANS**

**Hearing on Welfare Reform**  
**January 30, 1995**

Mr. Chairman, members of the subcommittee, I want thank you for scheduling this hearing on welfare reform, and providing me with this opportunity to testify regarding our panel's proposal.

We all know the current system is broken and is in need of repair. Too few people participate in work programs; teenage pregnancies are growing at alarming rates, both parents are not held responsible to care for their children; states do not have the flexibility to pursue innovative strategies in welfare reform; and welfare has become way of life for too many people. The proposal we will be introducing in the coming days addresses these problems and will truly provide for reform in our welfare system.

Work

Our bill creates Work First, a program designed to replace the current JOBS program. Our bill sets participation rates for the Work First program which will move more individuals into work programs than any other comprehensive welfare reform bill and provides sufficient funding for states to meet these participation rates. When fully implemented, our bill would require a participation rate four times greater than the current JOBS program.

There are disincentives in the current system for individuals to move off welfare and into work. Recipients who get jobs are in jeopardy of losing both health care and child care, thus making welfare more attractive than work. Our bill addresses these problems by extending Transitional Medical Assistance from one year to two years and by providing increased child care assistance. States will also be given flexibility to use federal funds to provide child care programs. In addition, states will have the option to eliminate the 100-hour rule that penalizes families.

Individual Responsibility

The current system places little responsibility on the welfare recipients with regard to work and job search. Work First would require individuals who participate in the program to sign an employability contract, begin job search immediately and engage in a minimum of 30 hours a week in a work related activity. Individuals who failed to comply with the requirements of the program would be sanctioned. In addition, there will be a two-year time-limit placed on each participant in the Work First program. If states exercise the option to develop community service programs, participants will be required to work a minimum of 35 hours per week with 5 hours devoted to job search.

Teenage pregnancy has become a national tragedy in our country. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. Half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time the child turns five. To combat these problems our bill does the following:

- Calls for a National Campaign on Teenage Pregnancy.
- Prohibits minor mothers from receiving public housing and requires them to live with their parents or a responsible adult.

The current child support system is at best ineffective. Today, approximately 63 percent of absent parents pay no child support. Studies show that \$34 billion in child support payments go uncollected each year. Our bill improves child support enforcement which is a critical part of reforming the welfare system. We believe that both parents should be required to support their children and we put in tough new provisions for parents who refuse to pay child support. These measures include the following: wage withholding, forfeiture of property and reporting child support arrearages to credit bureaus. In addition, we hold grandparents liable for financial support of the offspring of their minor children.

#### State Flexibility

Our bill would foster a federal-state partnership in welfare. States would be given the flexibility to pursue innovative approaches **and** would be given the resources to allow them to successfully implement their programs. We recognize that it is not enough to simply give states flexibility to reform welfare if the states do not have enough resources to move individuals off of welfare and into work.

Under the current system, states have to go through a bureaucratic waiver process which gives too much discretion to the Secretary of HHS to modify or deny state waivers. In essence, the current system places the burden of proof on the states to justify why their program is preferable to the system dictated by the federal government. Our bill would reverse this presumption and encourage states to develop their own plan. State plans would be guaranteed approval by the Secretary of HHS, provided they meet minimal guidelines set forth in this bill.

In 1988, Congress passed the Family Support Act, which was designed to make welfare a transitional system by providing education and job training assistance to welfare recipients. Unfortunately, only about ten percent of the caseload is required to participate. Only fourteen states currently draw down all of their JOBS money and ten states draw less than 50 percent of their allotments. Our bill would make it easier for states to draw down available federal funds, by increasing the federal share of these matching rates.

Our bill also provides states with greater flexibility and greater resources in child care. Currently, states provide child care assistance through four separate federal programs with different eligibility requirements and regulations. The states must move families from one child care assistance program to another -- with all the attendant paperwork -- every time the family's status changes. In addition, the funding provided by the federal government is not sufficient to cover all eligible families. The legislation we are proposing will consolidate these four major programs -- Child Care Development Block Grant, AFDC child care, transitional child care assistance and At-risk child care -- into a capped block grant within the Title XX program. The bill increases funding to accommodate the increased caseload that will result from this bill and to eliminate the existing shortfalls in coverage.

Our bill also includes the following provisions with respect to state flexibility:

- Consolidates the current child care programs into a block grant under the Title XX program.
- Gives states the option to have a Community Service program.
- Gives states the option to recycle up to 10% of the previous year's caseload back into the system.
- Gives states the option to deny AFDC benefits for additional children.

- Sets the state matching rate for the Work First program at 70% or ten percent above the Medicaid matching rate, whichever is higher.

Mr. Chairman, before I yield to Congresswoman Blanche Lincoln to discuss the Supplemental Security Income aspects of our bill, I want to thank you again for the opportunity to testify before your Subcommittee and we look forward to working with this Committee and the rest of our colleagues on welfare reform.



Mr. COLLINS. Mrs. Lincoln.

**STATEMENT OF HON. BLANCHE LAMBERT LINCOLN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS**

Mrs. LINCOLN. Thank you, Mr. Chairman. I want to begin by thanking you for allowing this panel to testify today and for holding such comprehensive hearings on this very important subject.

Congressman Deal has done an excellent job of outlining our proposal to reform the Nation's welfare system and he, along with my colleagues here, as well as our staff, have worked hard, both this session and last session, to put together a comprehensive plan that will address that issue.

I wholeheartedly believe that our plan will fundamentally change the way the welfare system works by promoting work over dependence, strengthening individual responsibility and giving the States the flexibility that they need to be creative in their approach to solving these problems.

However, welfare reform is not limited to simply the AFDC Program. I am here to discuss an area of reform that has been the focus of much attention over the past several months, but an area that I have had an active interest in since coming to Congress 2 years ago: The Supplemental Security Income Program for Children, what some others have called crazy checks.

I became interested in this program after numerous constituents, including teachers, doctors, concerned citizens, came to me with concerns and allegations over SSI for Children. Their concerns were similar, if not identical, to those mentioned by Congressman McCrery last Friday in the hearing, allegations of parents coaching their children to misbehave in order to qualify for benefits, and a program so subjective and loosely managed that its integrity was constantly being challenged.

After a careful review of the program and after testifying before this panel under then-Chairman Ford's leadership last year, I requested, along with several of my colleagues in the House and Senate, that the GAO investigate the allegations of abuse as well as the overall soundness of this program. That report will be released in the coming weeks, but preliminary results from the GAO confirm really our worst fears: The SSI Program is out of control and the Congress must do something about it.

While the GAO has concluded that it is difficult to detect cases where coaching has occurred, they have raised serious concerns over the soundness of the program's structure, specifically with the individualized functional assessment or IFA process.

Mr. Chairman, I won't go over the evidence that was submitted during Friday's hearing, but I would like to point out one telling figure: In the past 5 years the number of children receiving SSI benefits has grown from 300,000 to nearly 900,000, a 300-percent increase. While I know that there are several legitimate reasons for growth in the program, including the *Zebley* decision and increased outreach efforts that were presented by the SSA, growth on such a substantial level suggests to me that either this program is in serious need of reform or America is experiencing nothing short of a full blown crisis in childhood disability.

I believe that the former is true, that this program needs fundamental reform. Specifically I believe that the IFA process is inherently flawed. In order to begin moving toward reform, this group proposes a very simple deadline under which to consider this extremely complicated problem.

We would propose that 90 days after the newly formed Commission on Childhood Disability submits its report to the Congress, funding for the SSI Program for Children will be capped at fiscal year 1994 spending levels, unless Congress acts on the Commission's recommendations or a substitute to those recommendations.

I want to make it abundantly clear that it is not the intention or the desire of any member of this panel to deny or reduce benefits to children who are truly disabled. On the contrary, we want to be helpful in finding a solution that will serve the truly needy and resupport public confidence in the program to make sure that the resources are truly getting to the disability of the child. We believe that this deadline gives Congress sufficient time to act. The Commission, which is chaired by former Representative Jim Slatery, has until November 30 of this year to present its findings. During that time, we fully intend to work with the Commission and with you, the Committee, and the Subcommittee, to find a viable solution. It would not be until 3 months after the submission date that our proposal would go into effect, well over 1 year from today. We believe that this Congress can achieve a solution before we reach that deadline.

As was noted in Friday's hearing, this is an extremely complicated problem. Some have deemed it one of the most difficult social welfare issues to come along in 20 years. Keeping that in mind, I would urge all Members who have an interest in reforming this program to proceed with caution and prudent deliberation. We do not want to harm those who—to whom we intend to be assisting. We want to correct the abuse so that those resources will be there for those who are truly disabled and that the resources go toward dealing with that disability.

In closing, Mr. Chairman, I again want to thank you for allowing us to testify today and we look forward to working with you on all of these issues.

Mr. COLLINS. And we thank you for that testimony. And the Friday hearing was a real interesting hearing too and it is one we have got to travel with caution on.

Mr. Clement.

#### **STATEMENT OF HON. BOB CLEMENT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE**

Mr. CLEMENT. Thank you, Mr. Chairman. It is good to be here with all of you. I want all of you to know that we have worked diligently. I am speaking for the colleagues, as well as members of our staff, on a good bill and we expect it to go a long, long way and to become law.

I might share with you just recently, I have had the opportunity to meet with some welfare recipients, teenage mothers, and I spoke to them just frankly about their situation. All of them in high school, all of them with very, very young children. They want a new way of life, but they really don't know where to get started,

but I shared with them that in our bill, they are going to have to share the name of the father of the child if they want to be able to draw any kind of financial assistance. Are you willing to do that?

And I might share with you every one of them said, yes, we would, but then when I also asked them, I said, well, tell me something about the father of your children, since all of them were in high school and teenage mothers. All the fathers were 25 and over that are preying on young girls. You have got a club in Boston, Massachusetts that they call the 20/20 Club where it is a game to see if you can get 20 girls pregnant before age 20.

That is a sad commentary for all of us in this country when we look at welfare, which has made people more dependent, it has penalized marriage, it has defeated what we know of as the work ethic, but most welfare recipients want a better way of life, but they know also under the present system, if they take a job now, they are going to lose their welfare and what is the mother going to do with small children?

And that is where most of your welfare recipients are today. They are a mother with small children, and those are the ones we want to help. I don't think any of us want to penalize them at all. We want a program. We want a bill. We want some legislation that is passed in law that will help people help themselves, and that is what I like about our bill and—that we have worked together on very diligently and that is stressing work, number one; number two, individual responsibility; and number three, State flexibility, because the States need that flexibility in order to solve many of the welfare problems that we have today so we can prepare ourselves for the 21st century.

Thank you.

[The prepared statement follows:]



United States  
Congressman  
**Bob  
Clement**

5TH DISTRICT, TENNESSEE

STATEMENT OF THE HONORABLE BOB CLEMENT BEFORE  
THE HOUSE SUBCOMMITTEE ON HUMAN RESOURCES  
January 30, 1995

Mr. Chairman, thank you for this opportunity to present our proposal to bring about an end to the welfare as we know it.

I believe restoring American's trust in government is the single greatest challenge facing this Congress. The American people are perilously close to losing their faith in this institution and its' members ability to effectively govern. We are each blessed with a wonderfully unique opportunity to serve in this body, as members of the greatest institution of its kind. We were sent here by the people, and it is the people's work that we are here to do. It is my opinion that some members of this government seem to be under the impression that their service is a guaranteed right. Public service is a privilege... not a right.

The American people feel we have been too consumed with preserving and promoting government rather than the will and liberties of the governed. Many have come to feel that the Washington Beltway which encircles this capital city has become a physical barrier and the embodiment of a learning curve.... and when left with no alternative they revolted.

One need look no further than our welfare system to find an illustration of the disconnect between the people and their government. Welfare recipients feel trapped in a system which penalizes marriage and robs them of their initiative, motivation, and self-esteem. Others look at welfare and see another wasteful government program plagued by abuse which promotes dependency and leaves them wondering why their hard-earned dollars continue to support this bureaucratic nightmare. The States, cities, localities and counties which administer the program are faced with the prospect of providing to a growing population while dealing with inflexible rules and regulations and a chronically insufficient supply of funds.

And what do I see?.... I see all these things.  
Government has failed.

Reforming welfare is not a revolutionary idea. Reform has been kicked around for more than a decade. In fact, significant reforms have been instituted as recently as 1988. But, any attempts to introduce meaningful changes to this system via simple reforms are destined to fail.

We propose to replace the current system based on income-maintenance with a partnership. An equal partnership which empowers the individual and guarantees the opportunity to become self-supportive in exchange for a commitment to personal responsibility, accountability, and hard work. A partnership which recognizes that it is the States and localities, those out

there on the front lines, that know best how to provide for the specific individual needs of their citizenry and allows them the flexibility to do so. And in exchange, we would require that every effort be made to move individuals from dependency to self-sufficiency.

Not just simple reforms but meaningful change.

Our proposal is based on three fundamental principles: **WORK, INDIVIDUAL RESPONSIBILITY, AND STATE FLEXIBILITY.**

The current JOBS program is woefully inadequate. Although there have been success stories in the JOBS program, they have been far too limited and far too scarce. Recipients tell of being shuffled from one training program to another, attending class after class, but never having worked or attended a job interview. Our bill places an emphasis on job placement rather than meaningless dead-end training programs. That is not to say that an individual cannot receive additional educational and technical assistance. Our bill provides such services; however, they will only be utilized in those cases in which it can be demonstrated that these services will lead to full-time gainful employment.

Under the federal work program, or Work First, recipients must participate in a required number of hours of work and job search each week in exchange for benefits during this two year period. Or, States may design their own work program provided they meet certain basic criteria.

We recognize that due to a number of circumstances such as economic hardships, a lack of available jobs, or an individual's need for more specialized assistance, there may be a number of individuals which have not been placed in a permanent position prior to the end of the two year Work First program. For this reason, we allow, but do not require, States to initiate a community service program. As in the Work First program, participation is limited to two years and individuals will be required to spend a specific number of hours working and looking for full-time employment each week.

Our second principle, individual responsibility, is based on the notion of tough love. I have two beautiful daughters. Elizabeth who is 13 and Rachel who is 11. My wife and I love our daughters dearly and have tried to instill good values in them. We have taught them the difference between right and wrong and trust they will make the right decisions. And we make every effort to nurture them and see that each receives the attention and encouragement they need. But, as every parent knows, no matter what you do, there comes a time when your children must be disciplined. Elizabeth and Rachel know that we have rules which must be followed, and that my wife and I have certain expectations of them. They also know that they will be held accountable if these guidelines are not adhered to.

Our bill takes this same approach. We make every effort possible to ensure that each recipient has a real opportunity to return to the workforce permanently. In return, we ensure that they are aware that there are specific expectations of them and that they will be held accountable for their actions and disciplined when necessary. These expectations do not simply apply to the recipients themselves but in some instances extend beyond the program participants to include the non-custodial parents and grandparents as well.

Our third principle reaffirms our belief that it is not the federal government but the frontline administrators of these programs which best know the needs in their area. For this

reason we give the program back to the States. But, unlike other proposals, we do not simply shift the burden to the States and run away. We believe that as it is a federally mandated program the federal government has a responsibility to ensure that the States have someone to turn to for support and assistance. Our bill includes general criteria to guide the States in developing their work programs; however, beyond the broad criteria, States are given a tremendous amount of flexibility. For example, we propose to eliminate the time-consuming, bureaucratic-laden waiver process. States would have the freedom to design their own programs, set penalties for non-compliance, and choose between a simple two-year time limit and an expanded community service component among other things.

Lastly, Mr. Chairman, there are single-working parents out there that struggle day to day just to keep their head above water and are just a paycheck, missed child support payment, or sick child away from welfare. Many of these individuals often work two or sometimes three jobs just to provide for their children and stay off of the welfare rolls. It would be easier for them to quit their jobs and accept welfare -- their children would have health care, they would get a lot more rest and he/she would have the security of knowing that every month they would receive a check. But these individuals have accepted responsibility and demonstrated that they are willing to do whatever necessary to avoid welfare. Mr. Chairman, the actions of these individuals have largely been ignored while less industrious individuals have been given access to government programs and assistance. Our bill recognizes the sacrifices these individuals have made and extends a helping hand and a gentle boost.

Mr. Chairman, I again want to thank you for allowing me to testify before this committee. We have a wonderful opportunity to make a real difference in the lives of thousands of individuals. The President, the Congress, and the person on the street all agree that the current system is not working.

I remind the members of this committee that the American people are watching. They are skeptical. Welfare reform provides a real opportunity to make meaningful changes and demonstrate to them that we can still govern effectively. We must not allow this golden opportunity to pass us by -- to do so would be a tragedy. I for one am committed to ensuring that we don't blow it... are you?

Mr. COLLINS. Thank you, Mr. Clement.  
Mr. Tanner.

**STATEMENT OF HON. JOHN S. TANNER, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF TENNESSEE**

Mr. TANNER. Thank you, Mr. Chairman. I won't take long. I want to thank you all for having this hearing and allowing us to participate. I think from what we heard from the last panel and what our colleagues here today have already said, the present system has the wrong incentives in it. It is broken and the question all too often now has to do with what is necessary to qualify for a check rather than what is necessary to return to work and be productive. And how we move people from dependency to productivity, I think, is the major question here.

We believe this approach that we have taken is a centrist approach that certainly would commend itself to you all for study and consideration as we try to form a consensus on how best to, I think, fix a system that is wrongheaded, one that rewards irresponsible behavior rather than encourages personal responsibility as has been alluded to.

There is a woman that I spoke with in my district back in Jackson, Tennessee, Connie Putnam, who made it off of welfare and she indicates some of the problems with trying to get off welfare in the present system. We almost discourage people from saving any money to try to help themselves make the transition.

And so all of us know the problems with the present system and the reverse incentives that are there to help people, and again, I won't take a long time, but thank you very much for your allowing us to be here.

[The prepared statement follows:]

U.S. Rep. John Tanner  
 1127 Longworth HOB  
 Washington, D.C. 20515  
 8th District, Tennessee

**Mr. Chairman, members of the subcommittee, distinguished guests,** I want to thank you for allowing us to appear before you today. I want to commend this panel's diligence as the first round of hearings examining the future of welfare reform in the 104th Congress nears conclusion.

The vision behind welfare was simple and logical. When these programs were being put in place it was said they would be the vehicle that gives those who need it, a second chance. But the evolution of these programs has led people in many cases to broken families and lifelong dependency over generations.

That is surely not what welfare was intended to be then, now, or ever. And people like Connie Hooper Putman illustrate welfare's good intentions. Along with her two children she now lives in Madison County in our West Tennessee district. After more than 10 years of marriage and running the family household, Ms. Putman found herself divorced with two children to raise, bills to pay, and no immediate source of income. She needed a second chance.

So Ms. Putman contacted Larry Tilman and his staff at the local office of the Tennessee Department of Human Resources. She has completed her nursing class work in a continuing education program at Dyersburg State Community College. Her classes there were subsidized contingent on good grades. All that is left to complete is her clinical requirement, which she hopes to do this spring. And Jackson-Madison County General Hospital, rural West Tennessee's largest hospital, is one of the places she has applied to complete her clinical assignment. This will ultimately give her the tools to seek work as a full-time nurse.

Ms. Putman is now working at Jackson's UT Family Practice in its medical records section. Now only the completion of her clinical work stands between her and a job. Recently remarried, she has the promise of gainful employment and new opportunity in her hands.

We all agree that this kind of individual success is the goal of welfare. Welfare cannot be a way of life. It should be a second chance for an individual or a family; a bridge from dependency to productivity. Welfare should offer our citizens transitional assistance en route to a new job, self-sufficiency, and financial security, rather than subsidizing a way of life divorced from work, family, and personal responsibility.

Today's welfare programs spend nearly \$300 billion at the federal, state, and local levels of government and often trap those in the system in a cycle of dependency. Now the questions all too often have more to do with what is necessary to qualify for a check than what is necessary to quickly return to the workforce as a productive citizen. What's more, eligibility standards for welfare assistance seem to encourage many of the problems welfare is supposed to solve. More babies are being born out of wedlock in part because it pays. Single parent families are the rule because assistance eligibility depends on one parent living outside the home. And while recipients are enrolled in these programs they are effectively barred from saving much money for the future.



The incentives contained in current law are wrong headed and must be changed. Parenthetically, I personally believe this system is one factor in the explosion of violent juvenile crime in this country.

You will remember that President Franklin Roosevelt toward the end of the Depression, once said, "Continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fibre. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit. . . . The Federal Government must and shall quit **this** business of relief."

That sounds distinctly like something he might say today if he could see what welfare in America has become because that is the exact effect of much of our welfare establishment.

And it is why we will be introducing our reform legislation in the next few days. Our approach demands personal responsibility for one's future. Our bill advocates time limited assistance, strong child support requirements, and wide flexibility for states to opt out of the federal network. In short, we demand work in exchange for assistance. Receiving a check solely because a recipient meets an eligibility requirement is no longer an option.

The question for welfare recipients should be what is required to return to the workforce as soon as possible. Moreover, the underlying principle for welfare policy should be an obligation to work rather than a right to income maintenance.

We place a two-year, lifetime limit on participation in a **Work First** program. For those who still have not found employment, a **Community Service** program would permit a two-year assistance extension. These time limits impose an incentive for recipients to take the necessary steps to move from welfare into the workforce. We require job search immediately upon entrance into the program and impose sanctions on those who do not comply with program requirements.

Our bill is about taking the steps necessary for those in the system to maintain their family units intact. We call for the disadvantages built into the current system that penalize marriage to be abolished, and demand that fathers must be identified at birth in exchange for benefits. Knowing who the father is will allow social services officials to better track dead-beat fathers and collect child support payments. Non-custodial parents should not have to be forced to take an active and responsible role in the lives of children they help bring into this world. Our bill sends a strong and clear message to non-custodial parents that failure to assist in the support of their children will not be tolerated.

Our bill does not deny minor mothers benefits as some other proposals do. But we do demand that they live with parents or guardians and complete their education in exchange for assistance.

And finally, we provide the states with great flexibility in terms of their own welfare programs and experiments. We would set up a federal model for those states with no established network, allowing those states that already have programs in place to easily opt out of the federal model.

More than half of the states -- including my home state of Tennessee -- have proposed reforms or sought waivers from the federal government to change welfare at the state level. Our states are the great laboratories available to help find out what works and we should take better advantage of their ingenuity. This bill lets us do just that.

I would commend this legislation to you for your consideration as I believe there is significant room for common agreement to move this debate forward.

Finally, many would agree, and some have suggested, that welfare reform cannot be driven by selfish, individual prejudices if it is to have any chance at all to be successful. Nor can it be derailed by a steadfast desire to maintain the same kinds of programs that have failed the very people they were intended to lift up. Any reform must move people from dependency to productivity through a community-minded desire to improve the quality of life we all seek for ourselves, our families, and our fellow citizens.

Mr. Chairman, thank you again for allowing me the opportunity to be with you and your distinguished colleagues today.

Mr. COLLINS. And we thank you too.

Mr. Stenholm, we go back to you. Do you have a statement or you just want to defer now to questions?

**STATEMENT OF HON. CHARLES W. STENHOLM, A  
REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Mr. STENHOLM. I have the written statement that I sent to the Committee last Friday. I should ask that it be inserted in the record and I stand ready to answer questions, Mr. Chairman.

Mr. COLLINS. Very good. Each statement will be entered into the record.

[The prepared statement follows:]

Testimony of  
 CONGRESSMAN CHARLES W. STENHOLM  
 before  
 Committee on Ways and Means, Subcommittee on Human Resources  
 January 30, 1995

Mr. Chairman, I appreciate this opportunity to testify before your Committee regarding the very important issue of reforming our current welfare system. I, like many Americans, feel that the time has come to seriously evaluate the structure of our system and provide constructive solutions to problems within it.

I come before you today with the hope that we can all work in a cooperative manner to develop a plan that transforms our current system into the type of program that it should be--a temporary helping hand for those who need a chance to get back on their feet again. To this end, I have been working with a group of concerned Members of Congress to develop a comprehensive reform proposal which we believe provides some middle ground in addressing many of the problems in our current welfare system.

I think we all agree that the focus of welfare reform should be getting people off of the welfare rolls and into work. It has become very obvious, however, that while we may agree on the goal, it is not as easy to agree on how to get there. Having said that, I feel that the welfare reform proposal we are developing incorporates many provisions from both sides of the aisle and provides a centrist approach to intelligently reforming our welfare system, without hurting those individuals who need a helping hand. We cannot take the limited view that welfare reform simply means cutting the cost of welfare. Welfare reform is not simply cutting services and denying benefits in order to have a budgetary fix. Welfare reform involves real people with real needs, which do not just disappear once the funds are cut. Their needs will continue, the same as before, unless we provide some of the necessary assistance to move them off of welfare into jobs.

I realize, too, that there are many instances of fraud and abuse in our system. As the former Chairman of the Agriculture Subcommittee on Department Operations and Nutrition, I have worked tirelessly to correct deficiencies in the Food Stamp program and I am well aware of the need for continued improvement. I am here today because I believe that we can continue to work together to make further improvements within the system.

The welfare reform proposal that we have developed addresses these basic problems by, first, emphasizing work over welfare. One of the basic tenets of the proposal is the establishment of the Work First program, which fundamentally reforms the JOBS segment of our current welfare system. The new Work First program requires participants to begin job search and job placement activities as soon as they enter the program, which provides individuals with the opportunity to immediately begin working their way toward self-sufficiency.

Second, we change the focus of welfare from a seemingly endless hand-out to a temporary hand up. The perception of our welfare system as a permanent way of life has evolved from years of providing benefits to recipients without a sensible plan for moving them off of the welfare system. Therefore, we propose a time limited assistance program that would empower individuals to move from welfare to work. As an incentive to work, the plan would provide transition assistance to make work pay more than welfare. States also would be allowed to deny recipients benefits if they do not have jobs after two years in a work program.

Third, we propose changing the perception that government bears all of the responsibility for those in need. Individuals also must accept their share of responsibility in providing for their families. In order to shift the focus to individuals, we strengthen child support enforcement and hold grandparents liable for financial support of children of their minor children. The proposal allows states to deny increases in AFDC funding to mothers who have additional children while receiving these benefits. It also requires minor mothers to live with a parent or a responsible adult.

Finally, we realize that a "one-size-fits-all" approach to welfare reform is impractical, if not impossible, because it does not take into account the wide range of needs and programs that exist. Therefore, we have provided states with the flexibility necessary to develop effective programs that meet their own specific needs. While the federal government has a role to play in setting broad guidelines in order to maintain a level playing field, state flexibility is the key to reforming our welfare system.

It is my hope that states, in developing their individual plans, will look to local entities to see what services they are currently providing, how they are providing them, and how much money they are spending on their programs. I would encourage my Colleagues to take an "inventory" at home, as I am, to hear from the front line administrators about what really is happening in our current welfare system. I began this project in my district a few weeks ago and have received a tremendous response. In contacting local program administrators, we are able to learn about each individual program as well as develop an understanding of the interaction among different organizations and agencies. I believe this is the first step to take in reforming our welfare system. Without the insight of the local people, we will have a difficult time finding the most appropriate solution to the problems they face everyday in providing basic services.

Furthermore, I believe it is very important for us to acknowledge the different problems encountered by rural and urban areas. We simply cannot allow rural areas to be overlooked in this debate; therefore, I am currently working to identify ways to protect rural interests and ensure them a place at the table in the overall welfare reform debate.

Reforming our welfare system, undoubtedly, is going to be a great challenge. It will require cooperation among federal, state, and local entities, as well as cooperation between Democrats and Republicans. I look forward to this challenge and I look forward to working together to find a resolution to this important issue.

Mr. COLLINS. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman, and welcome, ladies and gentlemen, and Blanche, I like your new name. I hadn't heard it before today. It is nice.

I wonder, so many of the points you make are considered to be terribly important by Republicans and Democrats alike and your program sounds like, at least a portion, a major portion of the program we proposed in the Contract With America.

I am wondering what areas you would find might come under discussion when you are dealing with us on proposing the final welfare proposal. What in your program is going to be distinctly different or is there anything?

Mr. DEAL. Well, I think ours is different in that it does not take the approach of putting everything back on the States initially. Our approach is to provide the funding to the States with overall guidelines and giving them great discretion in tailoring their programs as to how they think their State's needs are in concert with those overall guidelines and objectives.

We believe that our program will significantly put more people into the workplace than any of the proposals that are on the table. We believe that we do consolidate those Federal programs that should be consolidated, such as child care programs, are consolidated for funding and giving the States greater discretion as to how to use those. I think that is the major difference.

Our belief is that the problem, if it is a problem, was created through the Federal Government's programs, that we have a responsibility to try to straighten those programs out, while at the same time providing the revenue and the flexibility to the States to make distinctions as their needs exist.

Ms. DUNN. Thank you, Mr. Chairman.

Mr. COLLINS. Mr. Levin.

Mr. LEVIN. I don't really have any questions. I think the presentation has been most helpful and I think that Mr. Deal's response shows that there is a lot of room for finding an answer here that surely will have broad appeal or could have broad appeal within Democratic ranks, and I think might find some linkages to both parties. So I thank all of you for your constructive testimony.

Thank you.

Mr. COLLINS. Thank you.

Mr. McCrery.

Mr. MCCREERY. Thank you, Mr. Chairman, and thank all of you for giving us the benefit of your thoughts and your work on this very important subject. I think you have offered some very constructive ideas that we will take a close look at.

Just a general question for anyone on the panel. How do you think your proposal will be scored in terms of the budget?

Mr. DEAL. I will take a stab at it. Depending on some options that are still not totally in our final draft of it, it would probably include a cost figure somewhere in the \$15 to \$20 billion range over a 5-year period.

Our funding mechanism, which we have not addressed here, is very similar to other funding mechanisms. We would—we would think the scoring, with our primary funding source being immigration reform, would generate somewhere in the neighborhood of

\$20.3 billion which would be more than enough to cover us on the high side.

We would also have a cap on emergency assistance programs which CBO estimates would produce about \$800 million over the 5-year period. A phaseout of dependent child care in the \$70,000 to \$90,000 range would likewise produce about \$700 million over a 5-year period, and then the modification of the family day care with an income test on that program would be scored by CBO at about \$500 million over a 5-year period.

So we have the \$20.3 billion from immigration, \$800 million from the cap on assistance programs, \$700 million on the phaseout of child care dependency for upper income, and the means testing on the day care facilities with \$500 million. So we think that it not only is funded, but it is overly funded.

Mr. MCCRERY. Your \$20.3 billion savings from immigrants, is that reform of transfer payments to immigrants?

Mr. DEAL. It is an elimination of all social benefits for noncitizens with the exception of SSI—let's see if I can get them all correct—emergency medical, food stamps—excuse me. It would eliminate SSI, Medicaid benefits, except for emergency, which I think we all understand that, food stamps would be eliminated, AFDC benefits would be eliminated.

The primary distinction between ours and the Contract proposal I think is that you do not—I think it is asylees that you do not exclude out. We do have a 6-year exclusion period for asylees and refugees and for those that are 75 or older who have been citizens for 5 years, they are excluded, but that is the primary focus of it.

Mr. MCCRERY. So all your savings to pay for your new program come basically from within the welfare system?

Mr. DEAL. That is correct. We do not have any outside funding source other than the three I mentioned, which are minor. And those are really within the system, too.

Mr. MCCRERY. So net, you are going to create a savings, an overall savings for what we have come to know as our welfare system.

Mr. DEAL. Yes.

Mr. MCCRERY. Of maybe what, \$2, \$3, or \$5 billion over 5 years?

Mr. DEAL. At least.

Mr. MCCRERY. At least?

Mr. DEAL. Right.

Mr. MCCRERY. Charlie, did you have a comment?

Mr. STENHOLM. Mr. McCrery, I would like to share a personal thought along this line as we are all grappling for the solution to a very difficult problem.

It's something that we are trying to do at home in our own district right now. We are doing an inventory of all of the programs that we have in Abilene, Texas and San Angelo, Texas, two of my larger communities. As we have gotten into this discussion—and what brings us to you today with a recommendation—it became very apparent to all of us that there is no one in any community in the United States that can tell you all that is going on within that community. We have really no idea who is receiving what benefits from whom, or who is doing what to whom or for whom. Therefore, if you are going to solve a problem, it seemed to me also a little statement—I believe of fact—that the local people, the peo-

ple right there on the line that are delivering the services, have just as many problems with the State bureaucracy as they do with the Federal bureaucracy.

Therefore, we are a little bit nervous about just saying we are going to solve the problem by letting the State solve the problem, without talking to the local people to see whether or not they agree with the proposed solution. I think that will perhaps—and I say this with an if because this is just something that I am doing personally in my own district right now, but I found out after sharing this with others that others have tried this and, in fact, in some communities it is going on now—allow us to see if there is not a more efficient way of delivering better services by talking to the people on the firing line. I think the answer is going to be yes, but until we have had a little better chance to put it together with recommendations, we chose not to make this a part of our bill that we will be introducing. I think, however, it is an idea and a concept that we really need to take a hard look at and perhaps these savings within the system. I have read quite a few studies that strongly suggest that we can do a much better job of helping those truly needy by a more efficient administration of the program at the local level.

Mr. McCRERY. Thank you.

Ms. Lambert, I want to ask you another question, but feel free to—with your indulgence, Mr. Chairman, just 1 second.

On the SSI for Children Program, there is a lot of sentiment on this Committee to go forward with some reforms now and not wait on the Commission that was set up pursuant to legislation passed last year. So I would be interested to hear from you.

You don't have to go into it now, but I would be interested to hear from you any ideas that you have. I am sure you have thought about this, as to what reforms we could make now without doing damage to those children who truly need services and perhaps even cash payments, and—because I think we are going to try to move forward and include some SSI reform in the so-called Contract bill that is going to move through this Committee.

Mrs. LINCOLN. Well, my proposal in my bill, the capping at the 1994 levels is included in our welfare reform package, and it is a part of that.

If I could just step back for one moment and echo my colleagues here, when we talk about the differences perhaps from the Contract and what we have got, we have found that a great deal of the problems in the welfare reform area are programmatic in the sense that the programs themselves, and as Mr. Deal mentioned, that as opposed to just shifting the administrative burden to the States through block grants or other problems like that, we have to deal with the problems and the glitches that we have on the Federal level to actually correct the programs, and I think that that is what a lot of what we have tried to look at in this package, is to correct the wrongs that we may have made at the Federal level.

The other difference that wasn't pointed out is the child care in our package as opposed to the Contract. I think that is real important, when you look at putting, especially young mothers and women back to work, is making sure that that child care is a portion of what you are doing.



I know we have seen some real positive results in some of the expansion and the pilot programs in Head Start from zero to 2, making sure that those programs are only made available to young mothers who are in school or holding a job, and we have found that to be very productive in limiting what we are making available and tying that back to their schoolwork as well as their jobs.

On the SSI, it is very important that we move ahead, and I think that as I said in this hearing last year, that we have to be very cautious because we do not want to eliminate the benefits for those who are truly disabled.

One of the biggest problems, as I mentioned in my testimony, is the IFA process, and as we go through that IFA process, those two domains out of the five that are still very subjective, looking at the solutions of how we deal with that, because you do not—or I certainly do not want to indicate to anyone that there are not disabilities that coincide and come along with mental disabilities. There are mental disabilities that require assistance and they should, but as we go through that IFA process, which seems to be a big part of the problem, looking through that IFA process, those two domains produce too much subjectivity in calculating without giving the scientific verification of those illnesses that we actually need and that is why I say we should move with caution in dealing with the reform.

If we cap it at 1994 levels, it gives us time to make those studies more thorough. The GAO report that will come out in the following couple of weeks presents to us that problem, that if we do go in and change that entire process, we run a very strong risk of eliminating the assistance and the resources getting to those that are mentally disabled because they do fall into those two domains and those two categories.

So those have been my cautions, but I do think that we should move ahead. I would be more than happy to work with you all in coming up and using the knowledge and the background that I have gained.

Again, the block grants, we have concerns that we are just pushing, again, the administrative burden onto the States in that respect. And you have also spoken and mentioned, I think, about a Medicaid expansion. I just sat on the Health Subcommittee of the Commerce Committee, which that does fall under our jurisdiction, and would be delighted to be able to work through that element with you all and coming up with some real hard, fast solutions that will put us in the right direction.

Mr. MCCRERY. Mr. Chairman, I apologize, I said Ms. Lambert and it should be Mrs. Lincoln.

Mrs. LINCOLN. Have you ever in your life ever seen something cause so much confusion as a woman getting married and changing her name?

Mr. MCCRERY. We are pleased to have you. I would be interested though, Mrs. Lincoln, in some specific proposals for changes right now, if you have any, because frankly, this Member is not prepared to maintain the status quo for another year or another 2 years waiting on the Commission. I think we have enough evidence in to know that the program as currently structured is just broken and we need to at least make an attempt to fix it.

Then let the Commission come in and tell us how those changes are working and how we might add further changes to improve the program, but it is clear to me that this program is badly broken. We are spending too much money and we need to at least make a stab at fixing it, so any specific proposals you have for reform now, I would be interested in getting from you.

Mrs. LINCOLN. We will be glad to work with you, and I would just like to comment that the Commission does meet and has to come up with its report by November 30.

Mr. McCRERY. Yes, I am aware of that. I got that date changed from November 1996 to November 1995 when we considered that in this Committee last year, but I was—even at that time, I was not in favor of creating a Commission. I was in favor of action. So anything that you could get us now would be appreciated.

Mrs. LINCOLN. We will be glad to work with you.

Mr. COLLINS. I didn't interrupt the gentleman because those are some of the questions I want to get to do, so I just yielded him my time.

But we appreciate each of you with your testimony, we appreciate the fact that this is an issue that we all recognize needs to be addressed, and I believe we are going to travel forward with it. It is going to be traveled forward with a bipartisan effort.

Thanks again.

Ms. DUNN. Mr. Chairman, may I just ask one brief question before the panelists leave? I either missed it or I didn't hear it, or it is not in your proposal.

On your second point of increasing individual responsibility, do you include a deadbeat dad proposal?

Mr. DEAL. Yes, our proposal does include provisions for additional efforts for child support enforcement, yes.

Mr. COLLINS. Thanks again and our next panel will come forward.

OK, we will begin with Mr. Walsh from New York.

#### **STATEMENT OF HON. JAMES T. WALSH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. WALSH. Thank you, Mr. Chairman. It is a pleasure to appear before this Committee today and I appreciate your giving me the opportunity to do so.

My testimony is about Supplemental Security Income, commonly known as SSI. I want to tell you a personal experience that angered me and in fact moved me to testify here today.

Early last year, I met with several social workers in my Syracuse District office. They had requested the meeting. These are people of deep social conscience. They were worried and they were upset. The subject of their concern was the abuse of SSI that they witness firsthand, and ultimately, the effect that that abuse has on a system of support for families within the public school system.

I was moved by their comments. In a nutshell, they explained how easy it is for a child to become qualified for SSI, often fraudulently.

The reward is an additional \$400 per month. As I say—I say additional, because often the family is already receiving AFDC and Medicaid benefits. Very often the family has become entangled in

a government system which tempts them to deceive the government and discourages them from seeking work.

By the way, I served as a caseworker early in my career. To state the obvious, I am fully aware of the real needs of Americans who, without welfare, would be destitute and incapable of helping themselves.

Having said that, this hearing is not about punishing the poor. My testimony is not meant to belittle the needy. Our efforts are about fairness, to taxpayers, to law-abiding public assistance recipients, and to the children who are directly affected by the behavior of the adults who intentionally abuse the system.

Imagine hearing this as I did from social workers: Parents are coaching their children to act out in school. This behavior is considered a disability by the Social Security Administration.

This is something to make your blood boil. In one instance, they talked about a woman who had four children, and this was early on in their experience with this, so the mother came in with four children, asked that these kids be reviewed for disability.

They did that and they determined that three of them were perfectly normal, one had a slight learning disability. So they went back to the mother and they proudly proclaimed to the mother, you are the mother of three very healthy children and one with a slight reading disability. The mother immediately said, go find something wrong with the rest of them.

Even more galling is the fact that while the payment is made to the families, the remediation is already being done in the school district at no cost to that family. That is because the school district in New York State receives \$3,000 to \$4,000 per year per student determined to be disabled. Clearly the feeling among these dedicated workers, whose loyalty to the children is demonstrable and beyond question, is that money is being paid for bogus disabilities and that the waste is discrediting the overall good efforts of their colleagues.

The allegation from these social workers is that the direct payment is being used for material items, cars, televisions, and vacations. The people who are abusing the system know they will not be dropped from the rolls because their cases are never reviewed.

So I propose changing the system to meet this problem in three specific ways. First, I will propose that the definition by which a child qualifies for benefits be toughened. The court's decision may stand, but the requirements should be determined with counsel regarding additional medical and psychological testing.

Second, once a child qualifies, I believe there should be annual review of the child's progress. Unbelievably, the Social Security Administration presently conducts very few such progress reviews.

And third, the cash method of payment must be changed. Perhaps a voucher system to pay for remedial help not provided at the school will end the abuse. How can this happen? How could we have gone so wrong? Generally pervasive dependence on welfare has become a generational trait in some urban areas. Specifically, rulings such as the 1990 Supreme Court decision of *Sullivan v. Zebley* greatly loosened the requirements for eligibility. In *Zebley*, the court ordered the Department of Health and Human Services

to rewrite the definition of disabled so that children would more easily qualify for benefits.

The greatest concern that I have quite frankly is that an individual with supplemental income of \$400 per month, plus AFDC benefits, plus Medicaid and other Federal support income, will be far better off in many cases than a household with one or two wage earners.

This is not fair to the people we are trying to free from the cycle of dependence and to the taxpayers who expect us to institute a proper and decent support system for the truly needy in our country. The initial thrust of this program was to support adults with severe disability, like blindness, that prohibited them from full employment, to supplement their income. It should not be used for kids who can't sit still in class.

Again, Mr. Chairman, thank you very much.

Mr. COLLINS. And thank you.

Mr. Bunn.

#### **STATEMENT OF HON. JIM BUNN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON**

Mr. BUNN. Thank you, Mr. Chairman, Members. I am Jim Bunn, representing Oregon's Fifth District, and I just briefly want to share with you some concerns regarding support for teenage mothers as we deal with this question. As a prolife Member of Congress, I am concerned with requirements that I think would push girls toward an abortion and that—of anything that we do when we ask people to be responsible for their actions—is probably the least responsible action they could take, but I want to share the statements of one or bring to your attention the statements of one girl.

I met with a group of constituents, six girls in a crisis pregnancy center. One of those girls' father had died and the family simply was not in the position that we could say, go home, and it is all going to be fine. Another girl had been living in a storage unit. Another one of the girls, I asked her how long have you been on welfare. She said, I have been on welfare for 2 weeks and as I went through the background, Tracey Dreger had been working two jobs until the day before her due date.

This is a girl who the father of the child would take no responsibility and was in another State, and as much as we need to rework the laws and get tough on the deadbeat dads, here was a teenage girl who just couldn't make it without help. We have been providing the help.

She is the kind of girl that I think we need to look and say the welfare program was appropriate for. She doesn't like being on welfare. She is not proud of it. She is working very hard right now taking care of a newborn baby, but 60 days from now, she is going back to work. Her employer has agreed to take her back to work, but without public assistance, she would have a major problem with medical bills, she would have a major problem just surviving for that 2-week period, and so it is very easy to stereotype, but I think it is important to go back and start talking to the people that we are going to impact because I talked to six girls, all with very different circumstances, and even though it is nice to say there should be two parents in every home and the family should be a

strong unit, it doesn't always work that way, and I don't think that we are in a position that we can realistically demand that and then cut off support for somebody that doesn't fit that stereotype.

So I respectfully ask that you consider the input of some people who can't be here to share those, and Tracey Dreger is an example that I hope you can look at her testimony. I think it conveys a real need that we are meeting and that we shouldn't turn our back on.

[The prepared statement and attachment follow:]

## HUMAN RESOURCES TESTIMONY ON WELFARE REFORM BY CONGRESSMAN JIM BUNN

Mr. Chairman, I'd like to thank you and the Members of the committee for the opportunity to testify today. There are some who believe we are rushing to quick solutions about welfare, and I think these hearings provide ample evidence to the contrary.

It appears to me, Mr. Chairman, that we have reached a critical point in the national debate over welfare. Today, virtually everyone agrees that the system as it stands is failing. Liberals and conservatives, Republicans and Democrats... all of us recognize that there are serious problems, and that those problems are getting worse with each day.

The question, of course, is, "What are we going to do about it?" Too often in the past, Congress has answered that question without adequate input from the public.

In an effort to change that, I have tried to spend time with welfare recipients from my district. I must tell you Mr. Chairman, the people I visited with bore little resemblance to the "welfare queen" stereotypes that often come to mind.

I'd like to tell you about one of them. Miss Tracey Dreger, like many other welfare recipients, got pregnant as a teenager. She and her one month old baby girl, Kendra, receive assistance from the government through AFDC, WIC, and Healthy Start.

Abandoned by her boyfriend after becoming pregnant, and stranded in a small Oklahoma town with no prospects for work, Tracey chose to keep her child rather than have an abortion, or give her up for adoption. Instead, she came home to Oregon to live with her mother. Tracey did everything she could to take responsibility for herself and her coming child. She went to work right away, even taking a second job during her last month of pregnancy. Indeed, she worked those two jobs until the day before her due date.

However, after Kendra's birth she was no longer able to work. The full time job of taking care of an infant took precedence, as it should. So now she finds herself on welfare. She is not proud of it, and she wants to get back on her feet within the next two months.

Mr. Chairman, in my opinion, Tracey is exactly the kind of person the welfare system should be designed to serve. Like all teenagers, Tracey has made some mistakes. Unlike some, she has done all she could to accept responsibility for them. For that reason, I have serious concerns about blanket requirements to refuse benefits to teenage mothers.

As a pro-life Member of Congress, I worry that such proposals will force girls like Tracey to have abortions. If the goal of welfare reform is to encourage recipients to take responsibility for their lives, it must not push young women to undergo abortions... in my opinion, the ultimate denial of personal responsibility.

The revolution of the 1994 elections contained many messages. Voters demanded genuine reform of the welfare state. They also cried out for a government which views its citizens as more than numbers on a page.

When we make decisions about welfare reform, Tracey, Kendra and hundreds of thousands like them should be on our mind. We are not simply trying to save money, we are trying to restore basic human dignity and civic duty to the neediest among us. By demanding that welfare recipients find work, we can help recipients to build the personal framework that leads to success. By cutting off benefits to teenage mothers, I fear we will punish children, both born and unborn, for the youthful mistakes of their parents.

With that, I'd like to submit Tracey Dreger's statement for the record, and I'd be happy to take your questions.

## STATEMENT FROM TRACY DREGER

My name is Tracey Dreger. I have a one month old baby girl named Kendra Dreger. Kendra has my last name because I never had any intention of marrying her father after I found out I was pregnant, and we are no longer together. Kendra was discussed but I never really thought it through until after I got pregnant. Then I decided that I didn't like the relationship I was in and I didn't want to be pregnant. Although I felt that way, I wanted to keep the baby because abortion was not ideal for me. Also, adoption was not a choice I favored. It has not been easy being a single parent and being financially challenged but I have stuck with it and it is all worthwhile.

I first got on assistance when I found out I was ten weeks pregnant. I got on the W.I.C. program and on medical assistance. I was not working and therefore had no medical insurance and no way to pay for a baby. The father was working but did not contribute to anything but himself. I was in the process of looking for a job but I was living in a very small town in Oklahoma and it was impossible to find a job. After a month of trying to figure out what I was going to do, I decided to move back to Oregon to live with my mother. My goal was to find a job and move out on my own. I didn't really want to live with my mom because her ex-husband and I didn't get along but I had no other choice. After I moved in, I got a job and she got divorced. After he moved, she was no longer able to pay the bills and try to support my brother, sister and I on one thousand dollars a month (when the rent is \$610.00 and groceries alone cost more than \$200.00 a month for five people. That doesn't include car payments, insurance, power, phone and other bills that we have. It was virtually impossible for my mom to support the household alone so we became roommates. I pay about half of everything with the wages that I make so we have a place to live and food on the table.

Throughout my pregnancy everything was O.K. financially up till Thanksgiving. Bills were starting to pile up and we didn't have enough money to pay for them so I got a second job for the last month of my pregnancy. It was difficult because I made too much money from one job to be on assistance, but I didn't make enough to pay the bills. I worked two jobs until the day before Kendra was born. My mother also worked two jobs the weeks before Christmas. After the baby was born, I faced a new problem which was how my mom and I were going to survive when I was unable to work because of maternity leave. The only option I saw was to go on public assistance. I only plan to be on public assistance for two months. This is the only way I can live because I have no income. I plan on going back to work and I want to. I don't want to "live off the system". I just need help for a short time. The father is not involved, by his choice, so I get no support from him financially, and as I said before, my mom doesn't make enough to support me.

Although I do not get financial support from anyone I have gotten a great deal of emotional support from the W.I.C. program, Healthy Start and Camp Fire. I have had representatives of these groups in my home to visit me which has helped me a great deal. They let you know that you are not alone and that not every one of is against you. I am very thankful for all the support I have gotten from all these institutions. Without them I would not have been able to make it as well as I have. Everyone needs some kind of support sometimes and when you are a new parent, still in your teen years, you get scared and don't know what to do. But, with the help of welfare, W.I.C., Healthy Start and Camp Fire you get reassurance and guidance which is very important to be a good parent.

Mr. COLLINS. Thank you, Mr. Bunn.  
Michael Castle from Delaware.

**STATEMENT OF HON. MICHAEL N. CASTLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF DELAWARE**

Mr. CASTLE. Thank you very much, Mr. Chairman. I appreciate the opportunity of being here and being able to share some thoughts with you. I had a chance to address the Governors yesterday at their meeting here in Washington and heard back from them some of their concerns too, and I am going to be talking mostly about State flexibility and options.

We all agree that our welfare system is broken, I think almost without exception in this country. Voters believe welfare programs now help too few, cost too much, encourage government dependency, discourage work, and penalize two-parent families. We recognize these flaws and others: The tendency to remain on the rolls for many years, the expanding number of overlapping programs and the recent explosion in out-of-wedlock births to teens and other unwed mothers.

But I suspect some voters also wonder whether Congress might go too far too fast in a zeal to streamline and redirect welfare and reduce and cap social spending. Thus, the Congress is confronted with the problems associated with trying to faithfully carry out their mandate to change the nature of welfare in a fair, compassionate, and fundamental way.

While I thought H.R. 3500 represented this approach in a fairly balanced way in the last Congress, I believe the Contract With America's Personal Responsibility Act could be moving too far, in certain areas at least, toward punitive and potentially problematic solutions that could create as many problems as they solve.

A couple of examples of this. The income disregard section in H.R. 3500 was dropped without discussion or reason, as far as I could ascertain, in order to retain the marriage disregard and the microenterprise sections. As these sections were State options in H.R. 3500, allowing the States to experiment without having to go through the time consuming waiving process, we should reconsider retaining experimental waiving sections like these and others and push to abolish the waiver process which was embraced by H.R. 3500.

The Personal Responsibility Act places greater emphasis on work over education and training than H.R. 3500, which is acceptable and right, but it raises the participation rates significantly from requiring 2.2 million as opposed to 1.2 million to be placed in jobs over 5 years. Will States be capable of placing this many additional welfare recipients into paying jobs when they protested the standards originally laid out in H.R. 3500?

In my view, while we should pursue a policy of education and training for up to 2 years, it shouldn't be a strict 2-year cutoff for those who are in school or qualifying for some criteria, which would allow that person to be exempt from a strict cutoff.

States should be afforded some latitude to address this based on strict standards, but without the need for waivers. We need to re-examine the so-called compromise that was reached in developing



the Contract over prohibiting AFDC cash benefits to children born to unwed mothers under age 18.

And it should consider returning it to the State opt out provision that was in H.R. 3500. This might return as a State option because the State, not the Federal Government, should ultimately decide when confronted with a situation of actually denying aid to the child born to an unwed teen parent for up to 18 years.

While H.R. 3500 denied AFDC to children born to women on welfare who had received welfare at any time during the 10 months prior to the child's birth as a State opt out, the Personal Responsibility Act mandates this provision. Until we have a better understanding of how States will address this issue, we should consider leaving this as an opt out.

The Personal Responsibility Act includes an automatic cutoff of AFDC benefits for those who received AFDC for 5 years with the option for the State to make it a 2-year cutoff. H.R. 3500, on the other hand, left it to the State's discretion to cut these benefits after 5 years. If the States will ultimately be responsible for those who will be cut off, does it not make sense for them to determine when that cutoff would be? The 5-year time limit would help those recipients unable to find employment.

In a number of fairly punitive ways then, the Personal Responsibility Act would prohibit States from providing AFDC to children or families in need. If it is true, I find disturbing estimates that if these provisions were fully in effect today, over 5 million children could have a shortage of benefits.

Of all the precepts regarding welfare reform, one of the overriding goals ought to be what is right for our Nation's children, reducing the cost of welfare, discouraging illegitimacy, preventing and punishing welfare fraud are all worthy and right goals, but they are secondary to the goal of improving the prospects of our next generation.

As Delaware's former Governor, I agree with the premise behind the goal to consolidate and streamline funding sources into super block grants and provide them to the States to create their own more efficient welfare delivery systems.

Congress needs to empower the States to devise systems to make work pay, apply standards of responsibility that promote the work ethic, provide entry level jobs and a partnership with business, and create welfare programs that take into account limited economic circumstances.

We also need to insure that we provide for State flexibility during economic downturns, maybe considering a restrained growth policy where some growth in the welfare rolls would be allowed, a rainy day count that would recognize States' economic differences or other inescapable problems.

As the welfare debate moves into high gear, Congress should try to avoid an oversimplified approach of dismantling existing welfare programs, be as constructive and fair as possible and make dramatic change where we can, insure State flexibility, but accountability, and still provide a minimum safety net for our children. A different tack, but we need to try to do it.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

**REPRESENTATIVE MICHAEL N. CASTLE****HOUSE WAYS AND MEANS  
SUBCOMMITTEE ON HUMAN RESOURCES**

JANUARY 30, 1995

MR. CHAIRMAN:

THANK YOU FOR ALLOWING ME TO TESTIFY BEFORE THIS SUBCOMMITTEE TODAY. I APPRECIATE HAVING THE OPPORTUNITY TO BRIEFLY SHARE MY VIEWS ON THE COURSE WELFARE REFORM HAS RECENTLY TAKEN, AND WHERE I BELIEVE IT SHOULD GO.

ALL OF US AGREE THAT OUR WELFARE SYSTEM IS BROKEN. VOTERS BELIEVE WELFARE PROGRAMS NOW HELP TOO FEW, COST TOO MUCH, ENCOURAGES GOVERNMENT DEPENDENCY, DISCOURAGES WORK AND PENALIZES TWO-PARENT FAMILIES. WE RECOGNIZE THESE FLAWS AND OTHERS: THE TENDENCY TO REMAIN ON THE ROLLS FOR MANY YEARS, ITS RISING COSTS AND EXPANDING NUMBER OF OVERLAPPING PROGRAMS, AND THE RECENT EXPLOSION IN OUT-OF-WEDLOCK BIRTHS TO TEEN AND OTHER UNWED MOTHERS. BUT I SUSPECT SOME VOTERS ALSO WONDER WHETHER THE CONGRESS MIGHT GO TOO FAR, TOO FAST IN ITS ZEAL TO STREAMLINE AND REDIRECT WELFARE, AND REDUCE AND CAP SOCIAL SPENDING.

THUS THE CONGRESS IS CONFRONTED WITH THE PROBLEMS ASSOCIATED WITH TRYING TO FAITHFULLY CARRY OUT THE MANDATE TO CHANGE THE NATURE OF WELFARE IN A FAIR, COMPASSIONATE, AND FUNDAMENTAL WAY. WHILE I THOUGHT H.R. 3500 REPRESENTED THIS APPROACH IN A FAIRLY BALANCED WAY IN THE LAST CONGRESS, I BELIEVE THE CONTRACT WITH AMERICA'S "PERSONAL RESPONSIBILITY ACT" COULD BE MOVING TOO FAR TOWARD PUNITIVE AND POTENTIALLY PROBLEMATIC SOLUTIONS THAT COULD CREATE AS MANY PROBLEMS AS THEY SOLVE. IN THIS SENSE, THE CONTRACT WITH AMERICA'S "PERSONAL RESPONSIBILITY ACT" *MIGHT* NOT STRIKE AN EQUITABLE BALANCE BETWEEN CHANGE THAT THE VOTERS WANT, THE GOAL OF FACILITATING SELF-SUFFICIENCY AMONG WELFARE RECIPIENTS, AND PROVIDING THE PROPER STATE FLEXIBILITY WHILE STILL ENSURING THAT MINIMUM FEDERAL STANDARDS BE MET.

FOR EXAMPLE, THE INCOME DISREGARD SECTION IN H.R. 3500 WAS DROPPED, WITHOUT DISCUSSION, IN ORDER TO RETAIN THE MARRIAGE DISREGARD AND THE MICROENTERPRISE SECTIONS. AS THESE SECTIONS WERE STATE OPTIONS IN H.R. 3500, ALLOWING THE STATES TO EXPERIMENT WITHOUT HAVING TO GO THROUGH THE TIME-CONSUMING WAIVER PROCESS, WE SHOULD RECONSIDER RETAINING EXPERIMENTAL INCENTIVE SECTIONS LIKE THESE OR OTHERS, AND PUSH TO ABOLISH THE WAIVER PROCESS, WHICH WAS EMBRACED BY H.R. 3500.

THE PERSONAL RESPONSIBILITY ACT PLACES GREATER EMPHASIS ON WORK OVER EDUCATION AND TRAINING THAN H.R. 3500, WHICH I THINK IS ACCEPTABLE, BUT IT RAISES THE PARTICIPATION RATES SIGNIFICANTLY FROM REQUIRING 2.2 MILLION AS OPPOSED TO 1.2 MILLION TO BE PLACED IN JOBS OVER FIVE YEARS. WILL STATES BE CAPABLE OF PLACING THIS MANY ADDITIONAL WELFARE RECIPIENTS INTO PAYING JOBS WHEN THEY PROTESTED THE STANDARDS ORIGINALLY LAYED OUT IN H.R. 3500?

IN MY VIEW, WHILE WE SHOULD PURSUE A POLICY OF EDUCATION AND TRAINING FOR UP TO TWO YEARS, IT SHOULDN'T ALWAYS BE A STRICT TWO YEARS AND OUT CUT-OFF FOR ALL WELFARE RECIPIENTS. INSTEAD, THE CUT-OFF SHOULD EXEMPT THOSE WHO ARE IN SCHOOL, TRYING TO WORK, OR QUALIFYING FOR SOME CRITERIA WHICH WOULD ALLOW THAT PERSON TO BE EXEMPT FROM A STRICT CUT-OFF. STATES SHOULD BE AFFORDED SOME LATITUDE TO ADDRESS THIS BASED ON STRICT STANDARDS, BUT WITHOUT THE NEED FOR WAIVERS.

WE NEED TO REEXAMINE THE SO-CALLED "COMPROMISE" THAT WAS REACHED IN DEVELOPING THE CONTRACT OVER PROHIBITING AFDC CASH BENEFITS TO CHILDREN BORN TO UNWED MOTHERS UNDER AGE 18, AND SHOULD CONSIDER RETURNING IT TO THE STATE OPT-OUT PROVISION THAT WAS IN H.R. 3500. THIS SHOULD RETURN AS A STATE OPTION BECAUSE THE STATE -- NOT THE FEDERAL GOVERNMENT -- SHOULD ULTIMATELY DECIDE WHEN CONFRONTED WITH THE SITUATION OF ACTUALLY DENYING AID TO THE CHILD BORN TO AN UNWED TEEN PARENT FOR UP TO 18 YEARS.

WHILE H.R. 3500 DENIED AFDC TO CHILDREN BORN TO WOMEN ON WELFARE, OR WHO HAD RECEIVED WELFARE AT ANY TIME DURING THE 10 MONTHS PRIOR TO THE CHILD'S BIRTH AS A STATE OPT-OUT, THE PERSONAL RESPONSIBILITY ACT MANDATES THIS PROVISION. UNTIL WE HAVE A BETTER UNDERSTANDING OF HOW STATES WILL ADDRESS THIS ISSUE, WE SHOULD CONSIDER LEAVING THIS AS A OPT-OUT.

THE PERSONAL RESPONSIBILITY ACT INCLUDES AN AUTOMATIC CUTOFF OF AFDC BENEFITS FOR THOSE WHO RECEIVED AFDC FOR 5 YEARS, WITH THE OPTION FOR THE STATE TO MAKE IT A TWO-YEAR CUTOFF. H.R. 3500, ON THE OTHER HAND, LEFT IT TO THE STATE'S DISCRETION TO CUT THESE BENEFITS AFTER FIVE YEARS. IF THE STATES WILL ULTIMATELY BE RESPONSIBLE FOR THE FATE OF THOSE WHO ARE CUT OFF, DOES IT NOT MAKE SENSE TO ALLOW THEM TO DETERMINE WHEN THAT CUT-OFF WILL BE? THE FIVE-YEAR TIME LIMIT APPARENTLY WOULD HAVE NO EXCEPTION FOR THE INCAPACITATED, CHILDREN, OR THOSE RECIPIENTS UNABLE TO FIND EMPLOYMENT.

IN A NUMBER OF FAIRLY PUNITIVE WAYS, THEN, THE PERSONAL RESPONSIBILITY ACT WOULD PROHIBIT STATES FROM PROVIDING AFDC TO CHILDREN OR FAMILIES IN NEED. IF IT IS TRUE, I FIND DISTURBING ESTIMATES THAT IF THESE PROVISIONS WERE FULLY IN EFFECT TODAY, OVER FIVE MILLION CHILDREN COULD HAVE A SHORTAGE OF BENEFITS. OF ALL THE PRECEPTS REGARDING WELFARE REFORM, ONE OF THE OVERRIDING GOALS OUGHT TO BE WHAT IS RIGHT FOR OUR NATION'S CHILDREN. REDUCING THE COSTS OF WELFARE, DISCOURAGING ILLEGITIMACY, PREVENTING LONG-TERM WELFARE DEPENDENCY, AND PUNISHING WELFARE FRAUD ARE ALL WORTHY GOALS, BUT THEY ARE SECONDARY TO THE GOAL OF IMPROVING THE PROSPECTS OF OUR NEXT GENERATION.

AS DELAWARE'S FORMER GOVERNOR, I AGREE WITH THE PREMISE BEHIND THE GOAL TO CONSOLIDATE AND STREAMLINE FUNDING SOURCES INTO SUPER-BLOCK GRANTS, AND PROVIDE THEM TO THE STATES TO CREATE THEIR OWN, MORE EFFICIENT WELFARE DELIVERY SYSTEMS. CONGRESS NEEDS TO EMPOWER THE STATES TO DEVISE SYSTEMS TO MAKE WORK PAY, APPLY STANDARDS OF RESPONSIBILITY ON BOTH THE STATE'S AND THE RECIPIENT'S PARTS, PROVIDE ENTRY-LEVEL JOBS IN A PARTNERSHIP WITH BUSINESS, AND CREATE WELFARE PROGRAMS THAT TAKE INTO ACCOUNT LIMITED ECONOMIC CIRCUMSTANCES. WE ALSO NEED TO ENSURE THAT WE PROVIDE FOR STATE FLEXIBILITY DURING ECONOMIC DOWNTURNS -- MAYBE CONSIDERING A "RESTRAINED GROWTH POLICY" WHERE SOME GROWTH IN THE WELFARE ROLLS WOULD BE ALLOWED, OR A "RAINY DAY ACCOUNT" THAT WOULD RECOGNIZE STATES' ECONOMIC DIFFERENCES OR OTHER INESCAPABLE PROBLEMS.

ALTHOUGH H.R. 3500 ALLOWED STATES TO CHOOSE BLOCK GRANTS AS AN OPTION--A COURSE I MIGHT HAVE CHOSEN AS GOVERNOR, I'M NOT INTERESTED IN SIMPLY SHIFTING RESPONSIBILITY FROM ONE BUREAUCRACY TO FIFTY. WE NEED TO BE VERY CAREFUL THAT OUR INTENTIONS, HOWEVER GOOD, NOT END UP JEOPARDIZING SUPPORT FOR THOSE WHO ARE MOST DISADVANTAGED. BECAUSE A MAJORITY OF THE STATES HAVE NOT YET EMBRACED THE BLOCK GRANT PROPOSAL, IT'S IMPORTANT TO CONTINUE TO LOOK AT THE GOALS AND AIMS OF H.R. 3500 THAT PROVIDED THE FLEXIBILITY, YET ENSURED THAT THE NEEDS OF THE MOST DISADVANTAGED WOULD BE MET.

PERHAPS CONGRESS SHOULD CONSIDER AN INITIAL POLICY OF ALLOWING A CHOICE BETWEEN RECEIVING FEDERAL WELFARE DOLLARS EITHER IN A CASH PAYMENT OR CONTINUE THE CURRENT SYSTEM THAT GUARANTEES THROUGH ENTITLEMENTS WELFARE ASSISTANCE TO QUALIFYING FAMILIES, WHILE GRANTING STATES MORE FLEXIBILITY TO ADMINISTER THEIR PROGRAMS MORE EFFICIENTLY. H.R. 3500 ESSENTIALLY EMBRACED THIS CONCEPT.

AS THE WELFARE REFORM DEBATE MOVES INTO HIGH GEAR, CONGRESS SHOULD TRY TO AVOID AN OVERSIMPLIFIED APPROACH OF DISMANTLING EXISTING GOVERNMENT WELFARE PROGRAMS, BE AS CONSTRUCTIVE AND FAIR AND MAKE DRAMATIC CHANGE WHERE WE CAN, ENSURE STATE FLEXIBILITY BUT ACCOUNTABILITY, AND STILL PROVIDE A MINIMUM SAFETY NET FOR OUR CHILDREN.

THANK YOU.

Mr. COLLINS. Thank you, Mr. Castle.  
 Ms. Norton, Delegate from the District of Columbia.

**STATEMENT OF HON. ELEANOR HOLMES NORTON, A  
 DELEGATE IN CONGRESS FROM THE DISTRICT OF COLUMBIA**

Ms. NORTON. Thank you, Mr. Chairman. My testimony is about meshing our goals with pragmatic solutions. I would like to excerpt from my longer testimony how the Federal Government's neglect and nightmarish bureaucratic malpractice have played major roles in the failure of the welfare system.

The Congress and the executive branch are directly responsible for allowing one of the great New Deal innovations of the thirties to finally collapse into the worst failure of government in the nineties. The major flaw in the present system is found in its operations, not its recipients.

The guardians of the system failed to change the program from a passive checkwriting system as the post-World War II American economy and society were transformed. We have taken the cheap, easy, and harmful way out by sending a below subsistence check to young women in the prime of their lives, while offering almost no realistic encouragement or vehicle for becoming independent.

In the process, the government has saved billions of dollars. The country, however, has paid an incalculable price. The price includes decadence, the only word I can summon for a system that has lost its moral underpinning by disqualifying recipients who try to work and actively encouraging indolence and harmful conduct. Mr. Walsh's comments, I think, vividly illustrate one such example.

There are, I think, three fallacies, however, in the way we are going about welfare reform in this Congress: Confused and contradictory goals, shifting and uncertain ground concerning the appropriate division between Federal and State responsibilities, and unrealistic and impractical solutions.

First, the goals of welfare reform have become confused and muddled. We see the influence of Charles Murray in the insertion of a radical orphanage notion to deal with children who have suffered no abuse except the absence of jobs for mothers willing to work or who indeed may be working in public service jobs.

This kind of notion contradicts and could overwhelm the stated goal of the Personal Responsibility Act that enjoys almost unanimous public support, requiring parents, whether divorced, separated or single, to work and take care of their own children.

Another contradictory notion is the increasing reliance of some on charity for policy discrepancies in the bills. Surely the Congress wants to send an undiluted message that work is the only alternative to welfare. Replacing the welfare dole with the charity dole confuses the poor and confuses our stated mission to reform the welfare system by encouraging independence and requiring parental responsibility to provide for one's own children.

Moving to clarifying the appropriate responsibility between ourselves and the States, almost gullibly, some have accepted the proposal of some of the Governors to make the Federal Government functionally a passthrough for a mission of national importance, the support of impoverished children.

Unless we are willing to recede from the Federal interest in relieving the burden of poverty on children, we must much more thoughtfully lay out the Federal, the State, and the local interest and responsibilities.

To accomplish their purpose, the Governors have set up an equation of apples and oranges. They want to exchange block grant flexibility for the elimination of poverty programs as entitlements. Clearly States can be granted maximum flexibility while maintaining welfare and food stamps as individual entitlements for the poor and the working poor. The tradeoff between block grant flexibility and entitlement to benefits to individuals is a false match. I don't believe the Governors would have suggested such a risky tradeoff if they did not believe that the Federal Government has itself reached inflexible cost-cutting imperatives.

I want to commend Chairman Shaw for trying to respond to the challenge of apportioning State and Federal responsibility fairly. I want, however, to encourage the Committee to ask itself some hard questions about which obligations should be expressed as national standards and which are better off left to the States?

Let's take time limits. Suppose a State established a 1-month time limit. Orphanages for children. Suppose the State sets up orphanages for well cared for children whose mothers are working for their checks in rural areas and inner cities with few jobs. What is your answer to those hypotheticals? They will become more than hypothetical if the present bill simply passes.

My greatest fear is that we will put in place a national system before getting answers that will avoid a sea of unintended consequences at the expense of children. At the very least, I hope that we will include some safety valves for what we don't have answers to, such as demonstration projects on some of the most controversial and uncertain changes before going national with them.

If I could offer a few suggestions of what I believe are reality-based answers that have practical resonance. One, requiring immediate work for many recipients, even before beginning any time limit in private part-time employment, as a realistic way to get people, many of whom will be hard to place into the work force and have small children. A period of subsidy from welfare checks, if required, would be well worth it to get these people in the work force.

Two, the incentive of keeping part of the welfare check could be offered to recipients eligible only for low-wage jobs, otherwise they won't be able to make a living when they get off of welfare.

Three, rather than cut food stamps, allow them to grow because they supplement or can supplement part-time or full-time, low-wage work and allow parents to leave welfare for available jobs. Furthermore, since most welfare recipients themselves leave the system in 2 years, we should identify the reasons that they return and focus on eliminating these particular reasons in order to make permanent the self-help welfare recipients already engage in when they leave the rolls.

Finally, Mr. Chairman, I ask only that the pragmatism that has been the central feature of every American success story become more central to our own proceedings.

Thank you very much.

[The prepared statement follows:]

**TESTIMONY OF CONGRESSWOMAN ELEANOR HOLMES NORTON  
ON THE CONTRACT WITH AMERICA'S PERSONAL RESPONSIBILITY ACT  
BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES**

**JANUARY 30, 1995**

Before we reconstruct any government program or mission, it is essential to try to understand why it has failed. No physician would prescribe a remedy without first diagnosing the disease. The metaphor is especially applicable to our work on welfare reform. The federal government's neglect and nightmarish bureaucratic malpractice have played major roles in the failure of the welfare system. The Congress and the Executive branch are directly responsible for allowing one of the great New Deal innovations of the 1930's to finally collapse into the worst failure of government in the 1990's.

The welfare system has traveled the full distance from a perfect fit into the family structure and economy of the 1930's and 40's to a total misfit in the family life and economic realities of the 1990's. The federal government has presided over and been the prime mover in shaping a system that first became dysfunctional for virtually all it served and now has become decadent for many trapped within confines drawn by the federal government.

The major flaw of the present system is found in its operations, not its recipients. The guardians of the system failed to change the program as social and economic realities changed. The passive system of the 1930's that offered grants to poor women with no other means of support made sense when most women were house wives and the economy was unreceptive to working women. This same passive federal program made less and less sense as post World War II American society was transformed.

Long ago we should have repaired the welfare system to reflect the modern work-centered reality of men, women and even teenagers that became necessary to preserve the American standard of living. Instead we have waited until the program is beyond repair and until Americans have justifiably rebelled against a system that has taken the cheapest, easiest, and as it has turned out, the most harmful way out. The cheap, easy and harmful way has been to send a below subsistence check to young women in the prime of their lives while offering almost no realistic encouragement or support for becoming independent. In the process the government has saved billions of dollars. But the country has paid an incalculable price.

That price includes decadence, the only word I can summon for a system that has lost its moral underpinning and actively encourages harmful conduct in some. Here I am not speaking of "illegitimacy" a charge against the welfare system that is in dispute. All I know for sure is that for most women and girls, of every background, having a baby without a husband or father to help is one of life's most dreaded experiences. What is not in dispute are other phenomena that system has encouraged. Let me name just a few: working off the book because of the hardship of living on a welfare grant which, now at XX% of what it bought XX years ago, is less than subsistence for many children and mothers; exploitation by unemployed welfare fathers, victims of the whole sale flight of jobs from cities and rural areas, who now sometimes victimize others, including their own children whom they fail to support sometimes living on the welfare grant as well; and most tragically, a shot gun marriage between the poverty culture and the drug culture who live in the same environment sometimes feeding off of each other.

This, Mr. Chairman is indeed a system reduced from a high purpose to decadence. This is decadence in which the federal government has moved from enabler to active participants.

I recite this sad history of costly failure for a purpose. I fear that we are at another turn in the road of welfare reform failures. We have done enough damage without compounding it. I would like to be specific by discussing what I believe are three fallacies of welfare reform that have emerged and then offer some suggestions for eliminating them. The fallacies are 1) confused and contradictory goals; 2) shifting and uncertain ground concerning the appropriate division between federal and state responsibilities; and 3) unrealistic and impractical solutions.

First, the goals of welfare reform have become confused and muddled. If we do not define our mission we can make even a very bad situation even worse.

The Personal Responsibility Act is itself substantially different from the Republican bill of last year, HR 3500. The new bill reflects the apparent influence of Charles Murray, who advocates the elimination of welfare altogether. This influence is seen most radically in the adoption of Murray's orphanage idea to deal with children who suffer no abuse except the absence of jobs for mothers willing to work. Murray's orphanages are meant as a punishment and a deterrent for out-of-wedlock child-bearing. Murray's orphanage notions have been a distraction from the consensus issues in the Personal Responsibility Act and lift the impression that eliminating illegitimacy is the primary purpose of the welfare reform bill. Part of Murray's all-out-elimination approach have clearly found their way into the Contract, and they contradict and could overwhelm another stated goal of the Personal Responsibility Act to require parents -- whether divorced, separated, or single -- to work and take care of their own children.

The influence of Charles Murray and contradictions that have resulted are further demonstrated by the increasing reliance on charity for policy discrepancies. Leave aside for the moment the knowing evasion of the fact about the actual amount of available charity dollars and the wide range of activities unrelated to the poor that depend on charities. Surely, the Congress wants to send an undiluted message that message that work is the only alternative to welfare. Replacing the welfare dole with the charity dole confuses the poor and confuses our stated mission to reform the welfare system by encouraging independence and requiring parental responsibility to provide for one's own children.

A second and related fallacy of welfare reform is the shifting ground between what is appropriate at which level of government. Here we see a particularly move away not only from the Republican bill of last year but also from the Personal Responsibility Act and the Contract itself. Quickly and with little mapping of the consequences, we are switching toward a state-based system different in each of the 50 states and the District of Columbia. This stunningly abrupt change appears to be driven by a legitimate desire of the states to be free of federal bureaucratic interference on one hand and an illegitimate desire for a "free lunch" on the other. The free lunch is direct access to federal money raised through federal taxes with no strings of any kind attached. Almost gullibly, some have accepted the proposal of some of the governors to make the federal government functionally a passthrough for a mission of nation importance, the support of impoverished children. Unless we are willing to irresponsibly recede from the federal interest in relieving the burden of poverty on children, we must much more thoughtfully lay out the federal, the state, and the local interests and responsibilities. Otherwise, we appear to condone raiding the federal treasury without requiring anything in return, including baseline federal standards. One can surely understand what the states are attempting and why. If "the feds" appear to be open to giving out federal money without more, who could be expected to refuse it?

To accomplish their purpose the governors have set up an equation of apples and oranges. They want a deal -- block grant flexibility to ? AFDC, food stamps, ??? as they please -- for entitlement benefits for all who qualify. In light of the inevitable consequences, the irresponsibility embraced in the block grant proposal is difficult to



overstate.

This shortsighted proposal only reinforces why we have entitlements at all. No government easily allows the draw down of money from its treasury as an entitlement apart from the national interest in reducing poverty. AFDC and food stamps are entitlements in part because of national phenomena. One of these is the permanent characteristic of a cyclical economy that leaves states vulnerable to national economic trends. A second reason why welfare is an entitlement is the freedom of movement that allows poor people to take their poverty with them across state lines. The federal contributions mediates unfair costs that would otherwise leave state and local tax payers to pay entirely for this important freedom that binds the states together in a federal union?

When confronted with the obvious problem of appropriation -- limited block grants, transparently inadequate, even fallacious responses have been offered. For example, we are told that administrative savings from discarded federal regulations will take up the slack. This is much like the fraud -- waste -- and -- above answer to the need for cuts in programs. Estimates predict an almost immediate 15% shortfall compared to the best estimate for administrative savings of 2 to 3%. The governors desperate to be free of regulations should not be put in the impossible situation of trading off funds for deregulation. The need to face the state of overregulation is the sine qua non of reform itself. The case against much AFDC regulation is overwhelming. Indeed beginning in the 1970s, instead of engaging in a thoroughgoing reform to reduce the rolls, regulation was actually increased to make it more difficult to qualify! Clearly, states can be granted maximum flexibility while maintaining welfare and food stamps as entitlement. The trade off between block grants and flexibility is a false match. Surely governors should not suggest it if they did not fill the federal government's cost-cutting imperatives.

Some in Congress, particularly Chairman ---, are trying to respond to the challenge of apportioning state and federal responsibility for welfare. This effort is to be applauded with the caution that if a block grant approach remains, we must devise a realistic safety net, immediately responsive to needs. Federal funds that depend on triggers and data that build in lag time and get to states after a recession is over in the emergency has passed, deepen rather than relieve a crisis. This, of course, is the lesson of the history of government benefits and a good part of the reasons welfare and food stamps are entitlement in the first place.

Today's debate has left confusion as to what, if any, rational standards are appropriate and what should be left to the states. This is a difficult apportionment to make, but we can't avoid the necessity to do so by covering it with a block grant. The problems of no funds for eligible people will not go away. The necessity to raise state and local taxes to support the poor when the federal funds run out will remain. The fact that 10% of Americans are on food stamps today and that half of those are working people -- people who have recently lost their jobs cannot be wished away.

Beyond the apportionment of funds is the sharing of obligations for a responsibility with profound state as well as national implications. Which parts of the Personal Responsibility Act should be national standards and which are better left to the states? Time limits? Suppose a state put a 2-month time limit? Orphanages for abuse children? Suppose a state set up orphanages for well-cared for children whose mothers were working for welfare in low income areas with few jobs?

Not only do we not have the answers to such dilemmas. We have not begun a systematic effort to look for the answers.

My greatest fear is that we will put in place a national system before getting answers that will avoid a sea of unintended consequences at the expense of children.

is a 100 day agenda a political hubris that is worth such mistakes. If some reform, any reform no matter how incompletely thought through is the response, then. I hope that we will build in some safety measures. One might be to do demonstration projects on some of the most controversial and uncertain changes. What must be avoided at all costs is making large changes in a large system that produces large mistakes.

This, of course, leads to the third fallacy of welfare reform, the most dangerous of the three. Unrealistic and impractical "solutions" have become legion. Increasingly there is pressure at the federal level to do welfare reform on the cheap.

For example last year's Republican bill and this year's Personal Responsibility Act focus on day care have been all but displaced by unrealistic notions of block grants and the end of entitlement. The catch word of welfare reform is jobs yet there is denial about the economic of hard pressed cities and rural areas with high unemployment where there are no jobs. AFDC and food stamps are not among the rapidly xx and most costly entitlement. Yet the plan is to cut them --xxing declining federal support with increasing state obligations.

XX and impractical solutions to welfare spring almost entirely from emotion and ideology. Both can xx the search but they cannot provide the answer.

We need to start talking about answers that have practical resonance. Here are some examples:

1). Part time jobs are the only jobs that are growing rapidly. They are also the jobs welfare mothers, many of them poorly skilled who have small children are likely to qualify for. To succeed with work, welfare reform must fit market trends in job creation. Requiring work immediately even part-time private sector employment with a period of subsidy from welfare checks is a realistic way to get many of the hard to place off of welfare before the beginning of the two year limit wherever possible. Once a parent gets into the work places she is much more likely to progress from there to better jobs.

Other recipients eligible only for low wage jobs the incentive of allowing them to keep part of the welfare grant as indicated by family size and need. The point is to get people private sector jobs because it is much easier to spin them off of welfare into permanent jobs once they have job experience and a record of working.

Rather than cut food stamps, now is the time to allow them to grow because they supplement part time or full time work and allow parent to leave welfare for whatever jobs are available.

Food stamps are keeping many working poor families working and many unemployed families from eviction because of the limits unemployment compensation. Cutting food stamps guarantees discrimination against the working poor and temporarily unemployed, who will often be the last to qualify because they are less likely to need food stamps on the longer term basis of welfare recipients

4) Since most welfare recipients themselves leave the system in less than two years, we should identify the reasons the return and focus on eliminating them in order to make permanent self help welfare recipients already xx to leave the rolls.

Pragmatism has always been at the center of everything Americans have done to xx the building of American industry to the solutions devised in the New Deal -- establishing and then acting on what works has been the premise of this country. The search for welfare reform has been distinctly different. It has been characterized by finger pointing, raw emotion, xx xx the present system, and philosophical and ideological debates. It is time to reform to what has always worked for -- the realistic evaluation of a problem and the pragmatic search for a solution.

Mr. COLLINS. Thank you, Ms. Norton.  
Mr. Greenwood.

**STATEMENT OF HON. JAMES C. GREENWOOD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA**

Mr. GREENWOOD. Thank you, Mr. Chairman. I would ask unanimous consent that the statement that we submitted on Friday, including the attached Congressional Research Service study on need-tested benefits and Federal income tax liabilities by State be inserted into the record, and then I would just like to offer a few comments if I may.

Coincidentally, like the gentleman from New York, Mr. Walsh, I served as a caseworker for several years during the late seventies. I worked with abused and neglected children of all ages, including a fair number of teenage women who were pregnant. I also served in the Pennsylvania Legislature where I was the Chairman of the Children's Caucus. I have spent many years advocating for children.

With that as background, let me tell you that I believe wholeheartedly that it is a cruel mistake for the Federal Government ever to provide direct cash assistance or food stamps to minors— young women 13, 14, 15, 16, 17 years of age—simply by virtue of the fact that they have conceived a child.

Having said that, I think we need to be very clear about the fact that we do not have to be forced into this false choice that some of the pundits and some of the uninformed members of the media might try to force on us. They believe that we have to choose between the status quo in which we essentially neglect these young women, providing them cash assistance and allowing them to live by themselves, frequently in squalor, frequently without any guidance, often without the ability to raise their own infants, and the opposite extreme, which is if a young woman under the age of 18 conceives a child out of wedlock, we will ignore her altogether.

What I think we need to do is use the child welfare model for these young women. If a young woman, again, 13, 14, 15, 16, 17 is pregnant or has had a child, and she comes to the attention of the welfare system, she should be diverted first to the child welfare system. She should be taken back to her home for an interview with the caseworker and her parent or parents if they exist and are available. A determination should be made as to whether or not it is safe and appropriate for her to remain in that household.

She may be able to live in that household with her family of origin, perhaps with some assistance from caseworkers. But if in fact that family situation is so brutal, so inadequate, perhaps nonexistent that it is unsafe for that young woman and her infant to live in her home of origin, then she should be taken to the proper children and youth officials. A petition of dependency should be prepared for the court of local jurisdiction, and she should be placed with her child in the custody of the county children and youth agency. They could then find an appropriate residential setting for her. Foster care would probably be preferable, but in the absence of foster care, a group home.

I think in that setting we can assure that the young woman will be provided with the adult supervision that she requires, as will

her child or children. She can be encouraged to complete her education, encouraged to become self-reliant. No longer would we simply be sending direct cash benefits to that young woman and allowing her, almost predictably, to fail.

The other comment that I would like to make has to do with the notion of returning the resources to the States. There is a concern among the Governors that we may block grant these welfare programs and then reduce the amount of the block grants over time leaving them stranded with the responsibility but without the resources.

Perhaps not in the first 100 days, but perhaps later on in this session, I would like to see us seriously consider the notion of never taking those resources from the States to begin with. The CRS study that I requested demonstrates that on one end of the scale, 50 cents on every dollar sent by the residents of Louisiana to the Federal Government is returned to them in needs-based programs. That goes down to a low of 8.7 percent for Nevada for a nationwide average of about 20 percent.

I would envision a time when we would have a tax credit available to the residents of each State, and if a State, through its Governor or legislature, chose to shoulder the full responsibility for paying the cost of these needs-based programs, then their individual residents could take as a tax credit an amount proportional to the savings to the Federal Government. By virtue of that State's actions, those resources would never come to Washington, but would remain available for the State officials to use to shoulder that burden.

Thank you.

[The prepared statement and attachment follow:]

**TESTIMONY OF CONGRESSMAN JAMES C. GREENWOOD  
HOUSE WAYS AND MEANS COMMITTEE  
SUBCOMMITTEE ON HUMAN RESOURCES**

Chairman Shaw and Members of the Committee, I am pleased to have the opportunity to testify today about what I believe is one of the central public policy issues facing the Congress -- welfare reform. While I am a member of both the Economic and Educational Opportunities Committee and the Speaker's Advisory Group on Welfare Reform, it is my previous career experience as a social worker that brings me here today and perhaps gives me a unique perspective on this issue.

Prior to my service in the state legislature and the Congress, I was a caseworker for the Bucks County Children and Youth Social Service Agency in Pennsylvania. I removed abused children from parents and placed them in foster homes or group settings. I have also worked for a residential facility called the Woods Schools for mentally retarded and emotionally disturbed children and adults. I have been on the front lines and have witnessed firsthand the failures of our current welfare system.

As policy makers we simply must redesign this system to promote responsibility and self sufficiency among parents and to provide a safe and nurturing environment for the children. I would take my time this afternoon, first, to share my views on how we can provide assistance while promoting responsibility among unmarried, minor parents, and second, to share my thoughts on the future direction of welfare policy, after our work in these first one-hundred days is completed.

Under the current AFDC program, the government provides cash assistance directly to unmarried minors. This, in my view, is irresponsible. The government does not allow a fifteen-year old girl to drive or vote, yet if she has a baby, we are willing to treat her as an adult, and send her welfare checks and food stamps, regardless of whether she is living in a safe environment with adult supervision or is capable of effectively budgeting this money to care for herself and her child.

Our current system is not adequately serving these teenage mothers or their children. I believe, for this population, we need to follow the model of the child welfare system. I would envision it working as follows: If a minor, unmarried woman is pregnant and in need of assistance, she would report to the local county assistance office. One of the first questions asked would be, "Where do you live? Are you safe there?" If it is determined that the young woman lives with her parents and there is no evidence of abuse or neglect, then the parents would be responsible for the young mother and her child. Assistance could be given to the young woman's parents based upon an assessment of the entire family's financial need, and they, in turn, would be responsible for supervising her care and that of her baby.

Unfortunately, during my career as a social worker I saw far too many cases where the teenage mother's home was not a safe place at all. Often the instability of her home environment has contributed to her out-of-wedlock pregnancy in the first place. She may be sexually or physically abused at home. Her family members may be drug users. She may have been abandoned by her family and living on the streets. In these cases, the best alternative may be to place the teenager and her baby in a foster care setting. If foster care is not available, then I believe the teenager and her baby should be placed in a group home for minor parents. If the mother is placed in foster care or a group home, it is critical that the parents of the teenage mother be assessed child support for her, and the father of the baby be assessed child support for the child.

In the 103rd Congress, I proposed legislation (HR 5039) entitled the Children's Homes for a Nurturing and Caring Environment Act or CHANCE. This bill required unmarried minors who are parents or pregnant to live under adult supervision as a condition of receiving certain welfare benefits. It also provided funds for the establishment of state-licensed, private residential facilities for the teenagers. These facilities could be operated by church or charitable organizations which would be required to match the funding from the government. In addition to providing a safe and stable environment, the homes would be

used to provide education in basic parenting skills. The young parents would be required to attend school or receive assistance in obtaining a General Equivalency Degree (GED).

This approach would eliminate the incentives for teenagers to use out-of-wedlock pregnancy and welfare as a means to independence. The goal of this legislation is to provide a caring and nurturing environment for the teen parents and their babies and to break the cycle of dependency. The children of single, teenage, undereducated mothers are the most at risk in our society of being poor, suffering from neglect or abuse, and later living a life characterized by criminal behavior and chronic dependency. It is critical for society that these babies grow up in a healthy, safe environment where they can be protected and where their mothers can receive the education and training they need to become economically self-reliant. While it may cost more under this approach in the short-term, clearly we can reap tremendous savings to society if we can break the chain of dependency.

In my view, the CHANCE homes are a model that can be followed whether the federal government or the state governments administer the welfare programs. The Personal Responsibility Act as introduced would provide grants to the states to establish and operate closely-supervised residential group homes for unmarried mothers. I also support the agreement the Republican leadership has been working out with the Republican governors which would combine a number of welfare programs, including Family Assistance funding, Child Care funding, and Child Protection funding into block grants to the states. It is simply more efficient and effective to administer programs at the state or local level. It is the issue of block grants that leads me to the second point I wanted to make here today.

We have committed to passing comprehensive welfare reform legislation within the first 100 days, and this hearing today is part of that process. But I think most of us would agree that while The Personal Responsibility Act is far-reaching and unprecedented, our work will not be done even when this legislation is signed into law. If the block grant approach is implemented and works well, then I think we need to ask the next logical question which is, "Why should the federal government collect the money in the first place?"

Currently, the federal government collects more than \$500 billion in federal income tax from the residents of our fifty states. In turn, we send nearly \$105 billion of that money back to the states in the form of Medicaid, AFDC, AFDC-related child care, and food stamps. In Louisiana, for example, over half of all the revenues collected from federal income taxes is returned to the state in the form of welfare payments. Surely, this is not a very efficient method of governing.

If we truly want to return power and responsibility to the states and reduce the role of the federal government, we should return the tax base to the states. One of the reasons that the federal government has grown too big is that we have monopolized the tax base. We should lower federal tax rates and allow the states to raise the revenues themselves to carry out the necessary assistance programs. At this point, Mr. Chairman, I would like to ask unanimous consent to include in the record a study by the Congressional Research Service that I requested on the Need-Tested Benefits and Federal Income Tax Liabilities, by State.

Obviously, there is a wide variation by state in the amount of federal income tax payments collected and welfare dollars expended. The federal expenditures for need-tested programs in Louisiana, Mississippi, and West Virginia account for about half of all federal income tax liabilities reported for those states. In contrast, these federal payments accounted for only about one-tenth of federal income tax revenues from Virginia and Nevada. While there may be a need to provide some equalization among the states, I still believe that we need to consider returning the tax base to the states and localities if we truly want to

redistribute the power within our federal system and make our government assistance programs more effective and accountable.

In conclusion, Mr. Chairman, I believe it is incumbent upon us to create a welfare system that promotes responsibility. A responsible welfare system would require that teen mothers have proper adult supervision in order to receive benefits. This supervision can be in their home, a foster home, or a group home. Our systems should not simply provide unmarried, minor mothers with cash, but rather with parenting skills and education needed to be good parents who are self-sufficient and responsible for themselves and their children. Finally, if we are going to return to the states the responsibility of establishing and administering welfare programs, we should also return the tax base and allow them to raise the revenues necessary to fund these programs.

Thank you, Mr. Chairman, for the opportunity to testify here today. I look forward to working with you in the days and weeks ahead to enact meaningful reforms to our welfare system.



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January 25, 1995

**TO :** Honorable James Greenwood  
Attention: Susan Spencer

**FROM :** Gene Falk  
Specialist in Social Legislation  
Education and Public Welfare Division

**SUBJECT :** Need-Tested Benefits and Federal Income Tax Liabilities,  
by State

This memorandum responds to Congressman Greenwood's request for a table showing Federal payments for certain need-tested benefits as they relate to Federal tax liabilities by State. Table 1 shows Federal payments for Medicaid, Aid to Families with Dependent Children (AFDC), Child Care programs related to AFDC,<sup>1</sup> and food stamps for fiscal year 1992, as a percentage of Federal income tax liabilities reported on Federal tax forms for tax year 1992. The use of 1992 data was required because that is the most recent year of available Federal income tax data by State. States are ranked by the share of their Federal income tax liabilities accounted for by the Federal payments for the selected need-tested benefits programs.

The table reports the Federal share of spending for Medicaid, AFDC, child care, and food stamps only; State spending on these programs was not included in the table's calculations. The Federal Government and the States share the cost of Medicaid, AFDC, and child care benefits and administration; the Federal Government pays 100 percent of the benefit cost of food stamps, but only a share of the costs of administering the Food Stamp program.

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<sup>1</sup>The programs in this category are: child care for AFDC recipients, transitional child care for former AFDC recipients, and child care for those "at-risk" of becoming dependent. Excluded from this category was spending under the Child Care and Development Block Grant (CCDBG), because of concerns that the available data for CCDBG was not comparable with the other expenditure data shown in table 1. However, CCDBG and child care programs are small relative to the other programs shown in the table, and the exclusion of the CCDBG should not materially affect table 1's basic patterns.



**TABLE 1. Federal Payments for Medicaid, AFDC, AFDC-Related Child Care, and Food Stamps as a Percent of Federal Income Tax Liabilities, by State, 1992**

State	Medicaid	AFDC	AFDC-related child care	Food stamps	Total programs
Louisiana	36.0%	2.5%	0.1%	11.6%	50.2%
West Virginia	33.4	4.3	0.1	11.5	49.4
Mississippi	30.9	2.7	0.1	15.3	49.0
Kentucky	25.7	3.2	0.2	8.6	37.8
Maine	26.3	4.2	0.1	6.2	36.7
Arkansas	23.4	1.7	0.1	7.1	32.3
New Mexico	18.5	4.0	0.2	9.1	31.8
South Carolina	23.1	1.9	0.1	6.3	31.4
Rhode Island	22.6	3.8	0.2	3.9	30.5
District of Columbia	20.2	4.1	0.2	5.0	29.5
New York	21.5	3.5	0.1	4.0	29.2
Tennessee	19.5	1.8	0.2	6.8	28.2
Alabama	18.2	1.2	0.2	7.8	27.4
Oklahoma	17.3	3.1	0.5	6.5	27.4
North Dakota	19.5	2.3	0.2	4.0	26.0
Vermont	16.8	4.6	0.3	4.3	26.0
Montana	17.4	3.1	0.3	4.9	25.7
New Hampshire	22.2	1.2	0.2	1.9	25.5
Ohio	15.1	3.2	0.2	5.9	24.4
Missouri	16.2	2.1	0.2	5.2	23.6
North Carolina	15.3	2.3	0.3	4.4	22.2
Arizona	12.6	2.8	0.3	6.5	22.0
Pennsylvania	15.0	2.5	0.2	4.3	22.0
South Dakota	15.8	1.8	0.1	4.1	21.8
Georgia	13.5	2.4	0.2	5.7	21.8
Indiana	16.1	1.6	0.0	3.9	21.5
Michigan	12.3	4.0	0.1	5.0	21.4
Texas	12.7	1.1	0.1	6.8	20.7
Massachusetts	15.4	2.8	0.2	2.3	20.7
Utah	13.2	2.5	0.3	4.2	20.2
Wisconsin	13.6	3.2	0.2	2.8	19.9
Iowa	13.5	2.6	0.1	3.4	19.6
Oregon	10.9	2.8	0.2	4.7	18.6
Idaho	13.1	1.4	0.1	3.6	18.3
Minnesota	12.2	2.6	0.2	2.7	17.8
California	9.3	5.1	0.1	3.1	17.6
Nebraska	12.1	1.8	0.4	3.1	17.3
Washington	9.8	2.9	0.2	3.1	15.9
Kansas	10.7	1.7	0.2	3.1	15.7
Wyoming	9.9	2.3	0.3	3.3	15.7
Hawaii	7.1	2.9	0.0	5.2	15.3

**TABLE 1. Federal Payments for Medicaid, AFDC, AFDC-Related Child Care, and Food Stamps as a Percent of Federal Income Tax Liabilities, by State, 1992**

State	Medicaid	AFDC	AFDC-related child care	Food stamps	Total programs
Florida	8.5	1.6	0.1	4.9	15.1
Alaska	7.8	3.5	0.2	3.1	14.6
Illinois	8.4	1.8	0.1	4.2	14.5
Maryland	8.7	1.6	0.2	2.9	13.4
New Jersey	9.7	1.5	0.1	2.1	13.4
Connecticut	10.0	1.9	0.1	1.3	13.3
Delaware	7.8	1.5	0.2	3.0	12.5
Colorado	7.7	1.4	0.1	3.1	12.3
Virginia	6.2	1.0	0.1	3.3	10.6
Nevada	5.6	0.7	0.1	2.3	8.7
<b>U.S. Total</b>	<b>13.5</b>	<b>2.7</b>	<b>0.2</b>	<b>4.4</b>	<b>20.8</b>

Source: Table prepared by the Congressional Research Service (CRS). Medicaid, AFDC, and child care data are from the U.S. Department of Health and Human Services (HHS). Food stamp data are from the U.S. Department of Agriculture. Federal income tax liability data are from the U.S. Department of Treasury, as reported in *Statistics of Income (SOI)*. Expenditure data are for fiscal year 1992; tax data are for tax year 1992.

The table shows wide variation by State in the share of Federal income tax payments accounted for by Medicaid, AFDC, child care, and food stamps. For example, Federal payments in Louisiana for these need-tested programs accounted for about half of all Federal income tax liabilities reported for that State. In contrast, these Federal payments accounted for only about one-in-ten dollars of Federal income tax liability in Virginia and Nevada.

As we discussed, such a wide variation was to be expected. Generally, States with low incomes relative to the national average ranked high in table 1, while higher income States ranked low in the table. This is because lower-income States:

- have lower Federal income tax liabilities, because the lower the total income in a State the lower the total Federal income tax liability in that State;
- tend to have larger low-income populations, raising spending devoted to low-income assistance programs; and
- receive a greater matching rate for spending on Medicaid, AFDC, and child care. As discussed, the Federal Government and the States share the cost of these programs. The lower the per-capita income in a State, the higher the Federal share of these program's cost. In 1992, the matching rate varied from 79.99 percent in Mississippi to 50 percent in States with per-capita income at or below the national average.

## CRS-4

There are some exceptions to the overall pattern. For example, the District of Columbia and New York have relatively high per-capita incomes, but also relatively high welfare spending. Therefore, these two jurisdictions rank relatively high in the table. Additionally, because Medicaid is the largest program shown in the table, the rankings for the total of these programs is greatly affected by how the States rank relative to Medicaid. There are large variations in how States operate Medicaid, that could affect these rankings irrespective of State per-capita income.

Federal income tax liabilities represent the amount reported on Federal individual income tax returns. Federal payments for need-tested programs include spending on administrative expenses.

Table 2 provides the data underlying the percentages reported in table 1. I hope this information is helpful to you. If you have any questions, or need further help with your work, please call me at 707-7344.

TABLE 2. Federal Payments for Medicaid, AFDC, AFDC-Related Child Care, Food Stamps and Federal Income Tax Liabilities, by State, 1992  
(\$ in thousands)

State	Medicaid	AFDC	AFDC-related child care	Food stamps	Total	Federal income tax liabilities
Alabama	1,117,327	72,649	11,940	478,859	1,680,776	6,125,911
Alaska	116,916	52,170	2,869	46,913	218,868	1,503,898
Arizona	766,495	169,225	15,268	394,510	1,345,498	6,106,740
Arkansas	724,882	51,315	2,073	220,860	999,130	3,091,503
California	5,788,545	3,170,622	90,950	1,959,681	11,009,798	62,480,237
Colorado	569,102	101,035	7,731	229,435	907,303	7,365,916
Connecticut	1,088,136	201,929	9,816	145,639	1,445,520	10,845,781
Delaware	117,082	22,163	2,754	45,574	187,573	1,503,656
District of Columbia	314,519	63,817	3,730	77,841	459,907	1,559,238
Florida	2,354,554	448,297	36,382	1,358,679	4,197,912	27,732,223
Georgia	1,600,750	287,083	24,906	673,145	2,585,884	11,878,283
Hawaii	175,766	71,066	1,097	129,543	377,471	2,471,607
Idaho	207,699	21,941	1,256	57,659	288,554	1,580,096
Illinois	2,254,018	485,714	18,428	1,123,776	3,881,936	26,720,247
Indiana	1,617,750	156,285	3,709	388,953	2,166,696	10,065,794
Iowa	608,611	114,736	5,976	151,750	881,073	4,496,274
Kansas	489,052	79,339	10,972	139,985	719,348	4,569,806
Kentucky	1,362,065	171,982	12,601	457,606	2,004,254	5,296,868
Louisiana	2,154,912	151,475	6,634	696,468	3,009,489	5,991,970
Maine	481,678	77,115	980	114,532	674,305	1,834,891
Maryland	995,750	188,011	17,428	327,691	1,528,880	11,401,480

**TABLE 2. Federal Payments for Medicaid, AFDC, AFDC-Related Child Care, Food Stamps and Federal Income Tax Liabilities, by State, 1992**  
(\$ in thousands)

State	Medicaid	AFDC	AFDC-related child care	Food stamps	Total	Federal income tax liabilities
Massachusetts	2,234,474	411,464	28,240	331,590	3,005,767	14,551,007
Michigan	2,197,025	721,817	15,527	887,323	3,821,692	17,823,074
Minnesota	1,117,398	241,223	16,589	250,307	1,625,518	9,148,758
Mississippi	885,323	77,719	2,442	439,593	1,405,077	2,865,198
Missouri	1,460,598	185,816	15,115	470,061	2,131,589	9,036,554
Montana	203,251	36,313	2,949	57,327	299,840	1,164,913
Nebraska	324,733	47,962	9,670	83,557	465,922	2,691,268
Nevada	194,681	25,149	1,739	79,916	301,486	3,456,067
New Hampshire	561,350	29,352	3,789	48,362	642,854	2,524,778
New Jersey	2,156,384	325,749	22,876	479,991	2,985,000	22,328,150
New Mexico	393,035	84,337	3,649	192,611	673,631	2,119,288
New York	9,296,658	1,524,631	63,141	1,720,463	12,604,894	43,143,682
North Carolina	1,702,542	250,685	28,030	491,867	2,473,125	11,136,838
North Dakota	188,055	21,724	1,941	38,184	249,904	961,973
Ohio	2,982,873	638,423	33,387	1,155,195	4,809,878	19,741,190
Oklahoma	789,516	140,705	21,480	295,185	1,246,886	4,555,657
Oregon	558,519	144,153	12,861	242,064	957,597	5,144,589
Pennsylvania	3,505,609	577,158	41,385	996,242	5,120,394	23,306,223
Rhode Island	424,172	71,338	3,704	74,215	573,429	1,879,901
South Carolina	1,158,871	95,017	5,767	315,489	1,575,145	5,014,184
South Dakota	178,712	20,086	1,195	45,856	245,849	1,128,960
Tennessee	1,702,491	155,290	13,237	593,908	2,464,926	8,726,800
Texas	4,157,110	364,102	46,635	2,221,889	6,789,737	32,855,399
Utah	332,551	63,120	8,374	105,422	509,467	2,524,189
Vermont	159,500	43,550	2,466	40,400	245,916	946,909
Virginia	823,154	130,758	16,026	442,201	1,412,139	13,334,312
Washington	1,166,932	343,818	25,905	366,007	1,902,662	11,940,219
West Virginia	756,382	96,777	3,219	261,307	1,117,684	2,262,697
Wisconsin	1,246,909	296,113	18,072	257,809	1,818,902	9,137,285
Wyoming	88,256	20,234	2,507	28,161	140,158	894,814
<b>Totals</b>	<b>67,852,674</b>	<b>13,342,556</b>	<b>759,415</b>	<b>22,232,601</b>	<b>104,187,246</b>	<b>500,967,295</b>

Source: Table prepared by the Congressional Research Service (CRS). Medicaid, AFDC, and child care data are from the U.S. Department of Health and Human Services (HHS). Food Stamp data are from the U.S. Department of Agriculture. Federal income tax liability data are from the U.S. Department of Treasury, as reported in *Statistics of Income (SOI)*. Expenditure data are for fiscal year 1992; tax data are for tax year 1992.

Mr. ENGLISH [presiding]. Thank you, Mr. Greenwood. The Chair recognizes the——

Mr. BUNN. Mr. Chair, if I could apologize, I have constituents I need to meet with so I am going to leave before questions.

Mr. ENGLISH. Certainly, Mr. Bunn. Thank you very much.

The Chair recognizes for a statement Hon. Carlos Romero-Barceló, Resident Commissioner for Puerto Rico.

**STATEMENT OF HON. CARLOS A. ROMERO-BARCELO, A  
RESIDENT COMMISSIONER IN CONGRESS FROM THE  
COMMONWEALTH OF PUERTO RICO**

Mr. ROMERO-BARCELO. Thank you, Mr. Chairman. I would like to thank you for the opportunity to share with you some of our thoughts on welfare reform. I want to just at the outset mention the fact that I am a disenfranchised representative of the largest number of constituents, 3.7 million, which is about 6 times the constituents represented by any other Member of Congress. I was even stripped of my right to vote in the Committee of the Whole. I can only vote now in the Committees and Subcommittees, so my participation in this hearing is of utmost importance for us.

Probably everyone is in agreement that the welfare system must be revamped, and that full reform is in order. We disagree, of course, on the methods and the fine print necessary to achieve real changes that will help those in need to break the cycle of poverty or those who need a second chance. As a former mayor of a large city, San Juan, and former Governor of Puerto Rico, I have experienced on a firsthand basis the benefits of some programs and the dangers of others.

However, today I must concentrate and call to your attention the particular dilemma facing my district, since I am afraid that once again Congress will continue to condone an apartheid system. I must use this strong word, "apartheid," because that is precisely the situation that the citizens living in Puerto Rico face, notwithstanding that they are citizens by birth and that Puerto Rico has been a part of the United States for almost 100 years.

To illustrate this de facto apartheid situation, consider the following facts facing American citizens living in Puerto Rico: AFDC is inapplicable in Puerto Rico. The island has been getting a limited partial block grant for many years. The current annual amount, about \$80 million, has not changed in almost 10 years, and has not even been adjusted for inflation.

The average monthly AFDC equivalent benefit in Puerto Rico is about \$32 per recipient, notwithstanding that the cost of living in Puerto Rico is similar or higher than most places around the Nation. Full AFDC participation by eligible beneficiaries would put AFDC expenditures in Puerto Rico at over \$400 million per year. The earned income tax credit is inapplicable on the island because we are not fully integrated into the Nation's tax laws. That is the most effective program to keep people off welfare, poor wage earners, and it is not applicable.

Title I funds designated to foster educational opportunities for the poor and disadvantaged students are capped at about 45 percent of otherwise full applicability of this program. In the same

fashion, the Food Stamp Program is capped at about 60 percent, and the SSI is inapplicable in Puerto Rico.

To compound the problem, many in Puerto Rico are at the mercy of a second-rate health care system. This is so because Medicaid is inapplicable in the island.

We get a block grant that amounts to about 10 to 15 percent of what Puerto Rico would get under full participation in Medicaid. This translates into an onerous financial burden on public health facilities, resulting in a de facto apartheid medical system.

Those with private insurance and those who can afford it use private physicians and facilities, but those with limited resources or with no resources must use a public health care system that is underfunded, overburdened, and one that lacks appropriate and sufficient medical personnel and resources. What is the genesis of this inequitable dilemma for the American citizens of Puerto Rico?

The Federal Government's reverse Robin Hood socioeconomic policy toward the island. Let me explain this remark. Robin Hood stole from the barons and the wealthy people to give to those that were very, very poor. Now, each year the Federal Government in Puerto Rico, through section 936 of the Internal Revenue Code, grants billions, and I emphasize billions of dollars in tax credits to multinational corporations doing business in Puerto Rico. Meanwhile it denies participation of children, handicapped, and aged U.S. citizens in critical Federal programs, programs that notwithstanding their merits or deficiencies do in fact constitute the basis of our Nation's safety net.

Thus, in essence, the Federal Government is taking from the middle class, the working poor, and the indigent in order to grant exemption from Federal corporate income taxes to the wealthy multinationals. The crux of the dilemma is that section 936 of the Internal Revenue Code is generally used as the excuse for not bringing Puerto Rico up to par in Federal policies and programs.

Perhaps this exclusion policy is understandable for some, but it is an absurd policy because section 936 is an extremely inefficient and costly way of promoting job creation. According to the latest estimates of the Joint Tax Committee, section 936 will cost U.S. taxpayers almost \$20 billion in the next 5 years.

GAO has estimated that section 936 credits amount to an annual subsidy to section 936 companies of over \$70,000 for each worker on their payroll. The figures are astounding, but the American citizens in Puerto Rico indeed pay a higher price. Why?

Just look at the statistics. The average per capita income on the mainland is approximately \$17,000, while the island's per capita income is about \$6,000. If the existing trend in applicable policies continue, Congress is in effect condoning an apartheid society, one which condemns several millions of U.S. citizens in Puerto Rico to an unbreakable cycle of poverty and would continue to increase the difference in the per capita income between Puerto Rico and the rest of the Nation, instead of closing that gap.

What is the solution to this dilemma?

We must look at the big picture. We cannot separate individual programs from others as they are interconnected. More importantly, we cannot separate taxation policy from the issue of welfare reform.

Secretary Rubin has said that the Tax Code is an instrument of social policy, and indeed it is. I have consistently maintained throughout my years in public office that in order to share the benefits of the Nation we must be willing to share in the responsibilities, as well. Therefore, it is time for Congress to put an end to the reverse Robin Hood socioeconomic policy for Puerto Rico.

To achieve this quid pro quo process must be put in place so that an orderly transition begins as soon as possible, a transition that will phase out the 936, implementing Federal income taxes in Puerto Rico in exchange for full participation in the programs I mentioned and the others where we are denied either participation or have capped grants. Common sense and recent actions by the Congress and the administration indicate that section 936 is not and should not be a perpetual Federal entitlement for wealthy corporations.

I guess I have run out of time.

Mr. ENGLISH. If you wish to summarize.

Mr. ROMERO-BARCELO. Yes. What I am trying to explain here and you will see from my testimony is that we should be taxed and at the same time given the same opportunities in Federal programs. That would be a good business both for the Federal Government and for Puerto Rico. The Federal Government would collect taxes that would be more than the additional benefits that will be forthcoming to Puerto Rico, and at the same time it would increase the level of income in Puerto Rico, would create additional demand for goods and services, create further jobs, and take a lot of people out of welfare.

[The prepared statement and attachments follow:]

CARLOS A. ROMERO-BARCELÓ  
PUERTO RICO

WASHINGTON OFFICE  
1517 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-5401  
(202) 225-2515

DISTRICT OFFICE  
P.O. BOX 4781  
OLD SAN JUAN, PR 00902-4781  
(809) 723-6333



**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-5401

COMMITTEE:  
EDUCATION AND LABOR

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AND PUBLIC LANDS  
WILDLIFE AND  
INTERNATIONAL AFFAIRS

Hon. Carlos Romero-Barceló  
Statement for the Record  
Committee on Ways & Means  
Subcommittee on Human Resources  
Hearings: Welfare Reform  
January 30, 1995

Mr. Chairman and fellow colleagues of this Subcommittee:

My name is Carlos Romero-Barceló and I am the disenfranchised representative in this Congress of 3.7 million American citizens, which is approximately six times the number of constituents represented by any other Members of Congress. At the beginning of this congressional session I was stripped of my vote in the Committee of the Whole. Now I only vote in the Committees and Subcommittees on which I serve. I thank you for the opportunity to share with you today some of my thoughts concerning the issue at hand: Welfare Reform.

Probably everyone is in agreement that the welfare system must be revamped and that meaningful reform is in order. Nevertheless, the differences in opinion arise on the methods and fine print necessary to achieve real changes that will help those in need to break the cycle of poverty or those who need a second chance.

As a former mayor of a large city, San Juan, and former governor of Puerto Rico, I have experienced on a first hand basis the benefits of some programs and the dangers of others. However, today I must concentrate and call to your attention the particular dilemma facing my district, since I am afraid that once again Congress will continue to condone an "apartheid" system.

I must use this strong word — apartheid — because that is precisely the situation that the citizens living in Puerto Rico face, notwithstanding that they are citizens by birth and that Puerto Rico has been a part of the United States for almost 100 years.

To illustrate this de facto "apartheid" situation consider the following facts facing American citizens living in Puerto Rico:

AFDC is inapplicable in Puerto Rico. The Island has been getting a limited partial block grant for many years. The current annual amount, about \$80 million, has not changed for almost 10 years and has not even been adjusted for inflation. The average monthly AFDC-equivalent benefit in Puerto Rico is about \$32 per recipient, notwithstanding that the cost of living in Puerto Rico is similar or higher than most places across the Nation. Full AFDC participation by eligible beneficiaries would put AFDC expenditures in Puerto Rico at over \$400 million per year.



The Earned Income Tax Credit is inapplicable on the Island because we are not fully integrated into the Nation's tax laws.

Title One funds, designed to foster educational opportunities for poor and disadvantaged students, are capped at about 45% of otherwise full applicability of this program.

In the same fashion, the food stamps program is capped at about 60% and the SSI program is inapplicable in Puerto Rico.

To compound the problem, many in Puerto Rico are at the mercy of a second rate health care system. This is so because Medicaid is inapplicable on the Island. We get a block grant that amounts to about 10 to 15% of what Puerto Rico would get under full participation in Medicaid. This translates into an onerous financial burden on public health facilities resulting in a de facto "apartheid" medical system. Those with private insurance and those who can afford it, use private physicians and facilities. But those with limited resources, or with no resources, must use a public health care system that is underfunded, overburdened and one that lacks appropriate and sufficient medical personnel and resources.

What is the genesis of this inequitable dilemma for the American citizens of Puerto Rico?: The federal government's "Reverse Robin Hood" socio-economic policy towards the Island.

Let me explain this remark.

Each year, the federal government, through Section 936 of the Internal Revenue Code, grants billions, I emphasize...billions of dollars in tax credits to multinational corporations doing business in Puerto Rico. Meanwhile, it denies participation of children, handicapped and aged U.S. citizens in critical federal programs. Programs, that notwithstanding their merits or deficiencies, do in fact constitute the basis of our Nation's social safety net. Thus, in essence, the federal government is "taking" from the middle class, the working poor and the indigent, in order to grant exemption from federal corporate income taxes to wealthy multinationals. The crux of the dilemma is that Sec. 936 of the I.R.C. is generally used as the excuse for not bringing Puerto Rico up to par in federal policies and programs.

Perhaps this exclusion policy is understandable for some, ~~but it is an absurd policy~~ because Sec. 936 is an extremely inefficient and costly way of promoting job creation. According to the latest estimates from the Joint Tax Committee, Sec. 936 will cost U.S. taxpayers almost \$20 billion in the next 5 years. GAO has estimated that Sec. 936 credits amount to an annual subsidy for Sec. 936 companies of over \$70,000 for each worker on their payroll. The figure is astounding but the American citizens in Puerto Rico do indeed pay a larger price.

Why? just look at the statistics. The average per capita income on the mainland is approximately \$17,000, while the Island's per capita income is little over \$6,000. If the existing trend and applicable policies continue, Congress is in effect condoning an apartheid society, one which condemns several million of U.S. citizens in Puerto Rico to an unbreakable cycle of poverty.

What is the solution to this dilemma?

We must look at the big picture. We cannot separate individual programs from others, as they

are interconnected. More importantly, we cannot separate taxation policy from the issue of welfare reform. Secretary Rubin has said that the tax code is an instrument of social policy and indeed it is.

I have consistently maintained throughout my years in public office that in order to share in the benefits of the Nation, we must be willing to share in the responsibilities as well. Therefore, it is time for Congress to put an end to the Reverse Robin Hood socio-economic policy for Puerto Rico. To achieve this, a quid-pro-quo process must be put in place so that an orderly transition begins as soon as possible. A transition that will phase-out Sec. 936, implementing federal income taxes in Puerto Rico, in exchange for full participation in the programs I mentioned and the others where we are either denied participation or have capped grants.

Common sense and recent actions by Congress and the Administration indicate that Sec. 936 is not, and should not be, a perpetual federal entitlement for wealthy corporations. During 1993, when the President proposed reductions to Sec. 936 benefits by tying them to direct jobs generated by these companies (i.e., wage credits), the powerful Sec. 936 companies lobbied strenuously against any changes. I do not blame them, they have one of the best-kept secrets in this town, in the words of Senator David Pryor, "Sec. 936 is the mother of tax loopholes". Secretary Reich called Sec. 936 "Corporate Welfare". It is indeed the single largest welfare program in Puerto Rico.

In response to a costly and incessant lobby campaign by the entrenched special interest lobby, the changes to Sec. 936 enacted in June of 1993, were less than the changes proposed by the President. Nevertheless, Congress has to keep in mind that for the first time ever, the federal Treasury began collecting last year corporate income taxes from these companies in Puerto Rico. Sec. 936 taxes will likely exceed \$600 million for 1994 and by the end of 1998, the federal government will have probably collected \$5 billion.

Any changes to Sec. 936 will be zealously attacked by the 936 lobby, in particular by the pharmaceutical sector. But I urge you to look at the facts. For example, during the 1993 "936-debate" the affected companies predicted a doom scenario for the manufacturing sector in Puerto Rico if 936 was altered. A year and half after the changes, Puerto Rico has now its lowest unemployment rate in twenty years (still very high at about 12%). Meanwhile, 936 jobs have remained practically stagnant for more than 10 years.

Puerto Rico and its workers have much to offer and their productivity is as good as or better than that found anywhere else. Our quality controls are A-1. Our local economy cannot continue to be at the mercy of a regressive tax policy that fosters an economic dilemma for Puerto Rico, and one that inhibits the attraction of venture capital and research & development investments.

Puerto Ricans are ready for a quid-pro-quo approach. Prominent local political and business leaders, including the Governor, have publicly indicated that they would support changes to Sec. 936 if they result in a better quality of life for the citizens of Puerto Rico. For the reasons I just indicated, there is no doubt that an orderly phase-out will indeed translate into a better economic future for all of us.

As we enter into a new century, this Congress and Puerto Rico must be able to face the challenges of a new era. We cannot leave behind a group of citizens that are and should continue to be an integral part of this great Nation. Puerto Ricans are willing to share in their

responsibilities in order to share better economic opportunities and a chance to participate in the American dream.

Furthermore, contrary to public perception, residents in Puerto Rico have indeed a heavy local taxation burden, higher than in many jurisdictions in the Nation even when taking into consideration all federal and local taxes. In addition, people in Puerto Rico are already subject to an array of federal taxes and user fees including Social Security taxes, unemployment taxes, custom duties, certain excise taxes, and even certain income taxes. In fact, IRS collected \$2.5 billion in federal taxes from Puerto Rico in 1993. This amount will exceed \$3 billion for 1994.

Thus, these taxes, the new revenue already generated through Sec. 936 and any further reductions or modifications to Sec. 936, must be taken into consideration by this Committee when allocating programmatic resources and tools for Puerto Rico and for the rest of the Nation, and vice versa.

In brief, I urge you to put together all the pieces of the economic and welfare puzzle as they currently adversely affect Puerto Rico, in order to make applicable and available to them not only the same opportunities and tools available to their mainland fellow citizens, but the same responsibilities as well.

Let us please end the course of economic "apartheid" and bury the existing counter-productive "Reverse Robin Hood" socio-economic policy.

Thank you for your interest and attention to my statement and I look forward to working with you on this and other issues.

**Attachments:**

CRB's statement on Welfare Reform, Committee on Educational & Economic Opportunities (1/18/95).

CRB's statement on Welfare Reform, Committee on Education & Labor (8/2/94).

CARLOS A. ROMERO-BARCELO  
PUERTO RICO

WASHINGTON OFFICE  
1817 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-5401  
(202) 225-2818

DISTRICT OFFICE  
P.O. BOX 4751  
OLD SAN JUAN, PR 00902-4751  
(809) 723-6233



**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-5401

COMMITTEES  
EDUCATION AND LABOR  
SUBCOMMITTEES  
ELEMENTARY, SECONDARY AND  
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HUMAN RESOURCES

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NATIONAL PARKS, FORESTS  
AND PUBLIC LANDS  
WILDLIFE AND  
INTERNATIONAL AFFAIRS

Hon. Carlos Romero-Barceló  
Opening Statement for the Record  
Committee on Economic & Educational Opportunities  
January 18, 1995 (RE: Welfare Reform)

Mr. Chairman and fellow colleagues of the Committee, once again we meet to discuss issues surrounding welfare reform. I am sure that everyone here favors welfare reform, the differences among us may lie on how to best achieve meaningful changes that make government programs work in a fairer and more efficient manner. In our deliberations, we should not lose sight of the fact that welfare programs should equip the poor with tools and opportunities to lift themselves out of poverty.

I will focus on the dilemma facing my district -- Puerto Rico -- home to 3.7 million American citizens. I take the opportunity to reintroduce for the record my remarks given during a hearing on this subject last year. They explain the socio-economic dilemma faced by citizens in Puerto Rico, a situation caused by inconsistent and contradictory federal policies towards the Island.

I use the word dilemma because statistics show that the income gap between the Island and the mainland continues to widen and the trend indicates that the gap will continue to grow. The average per capita income on the mainland is approximately \$17,000 while the Island's per capita income is about \$6,000. If the existing trend and applicable federal policies continue, Congress is in effect condoning the creation of an apartheid society, one which condemns several million of U.S. citizens in Puerto Rico to an unbreakable cycle of poverty.

I am confident that many will agree with Tommy Thompson, the Governor of Wisconsin, who has said in that in order to achieve meaningful welfare reform, we must be willing to make long time investments to bring about change.

Congress and successive administrations have for years supported what I call the "Reverse Robin Hood Policy" for Puerto Rico. This is so because the federal government grants billions, I emphasize...billions of dollars in tax credits to multinational corporations doing business in Puerto Rico while it denies participation of children, handicapped and aged U.S. citizens in critical federal programs. In essence, the federal government is "stealing" from the middle class, the working poor and the indigent, in order to give what amounts to exemption from federal corporate taxes to wealthy multinationals. The tax exemption, known as Section 936 of the Federal Internal Revenue Code, is generally used as the excuse for not bringing Puerto Rico up to par in federal policies and programs.

For example, the working poor, the elderly, children at risk and families in need are at a disadvantage if they reside on the Island. This is so because of the following:

The Supplemental Social Security Income program (SSI) is inapplicable in Puerto Rico.

The Earned Income Tax Credit is inapplicable.

Title One funds, designed to foster educational opportunities for poor and disadvantaged students, are capped at about 45% of otherwise full applicability of this program.

In the same fashion, the food stamps program is capped at about 60% and AFDC is capped at about 20%.

To compound this lamentable situation, many in Puerto Rico are at the mercy of a second rate health care system. This is so because Medicaid is inapplicable on the Island. We get a block grant that amounts to about 10 to 15% of what Puerto Rico would get under full participation in Medicaid. This translates into an onerous financial burden on public health facilities resulting in a de facto "apartheid" medical system. Those with private insurance and who can afford it, use private physicians and facilities. But those with limited resources, or with no resources, must use a public health care system that is underfunded, overburdened and one that lacks appropriate medical personnel and resources.

Thus, I have been consistent throughout my 30 years in public life, in that in our struggle to obtain equal participation in the resources of the nation, we must be willing to share equally in the burdens and responsibilities also -- and we are. However, we do not have a say in this matter. Congress has absolute power and discretion over the affairs of Puerto Rico. Therefore my colleagues, and with all due respect, it is up to you to take corrective action and reverse the socio-economic dilemma faced by American citizens in my district.

Treasury Secretary Rubin has said that "the tax code is an instrument of public policy", and it certainly is. I am working with Members of the Budget and Ways & Means Committees, and with the Executive branch, in order to eliminate the "Reverse Robin Hood" policy. But I also need your support in order to achieve mutually beneficial changes.

As the distinguished Chairman of this Committee has indicated, all programs are under scrutiny and on the table. Thus, those programs and policies adversely affecting Puerto Rico must be on the table also.

Give us equal rights and responsibilities, because as I said before, poverty demoralizes not only the one who suffers from it, but also demoralizes the society that tolerates it or worse, tries to ignore it.

Attachment (CRB's remarks 8/2/94)

Hon. Carlos Romero-Barceló  
Committee on Education and Labor  
(Remarks)  
August 2, 1994

**RE: H.R. 4605 "Work & Responsibility Act of 1994" (Welfare Reform)**

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I COMMEND THE PRESIDENT FOR HIS LEADERSHIP IN ATTEMPTING TO BRING ABOUT MEANINGFUL CHANGE TO OUR NATION'S WELFARE SYSTEM, LIKE HE SAID -- "TO END WELFARE AS WE KNOW IT".

MY COLLEAGUES IN THE FRESHMAN CLASS HAVE ALSO TAKEN THE INITIATIVE OF ADDRESSING THE NEED FOR WELFARE REFORM, AND WE DID ENGAGE IN A THOROUGH PROCESS THAT CULMINATED IN A DOCUMENT THAT LAYS OUT THE CONSENSUS OF THIS GROUP.

AMONG THE KEY ASPECTS OF OUR RECOMMENDATIONS IS THE FIRM BELIEF THAT THE REFORM'S GOALS MUST AIM AT PROMOTING SELF-SUFFICIENCY AND THAT THE SHORT-TERM EXPENDITURES NECESSARY TO IMPLEMENT THE REFORM MUST NOT BE FINANCED BY THE POOR. WHATEVER AMOUNT WE INVEST IN WELFARE REFORM THIS YEAR MUST BE INVESTED IN SUCH A WAY THAT IT WILL RENDER MUCH GREATER BENEFITS TO OUR SOCIETY AS A WHOLE IN A FEW YEARS THAN THE PRESENT PROGRAMS HAVE BEEN ABLE TO.

THE NATIONAL CONSENSUS IS CLEAR IN ITS CONCLUSION THAT THE WELFARE SYSTEM IS BROKEN AND THAT IT NEEDS A MAJOR OVERHAUL. THEREFORE, WE MUST BE WILLING TO COME-UP WITH A MEANINGFUL STRATEGY AND WITH THE INNOVATIVE PROGRAMS NEEDED TO FIX THE PROBLEMS AND IMPLEMENT THE SOLUTIONS THAT WILL ULTIMATELY REWARD WORK, SELF-SUFFICIENCY, FAMILY UNITY AND RESPONSIBILITY.

NEVERTHELESS, LET US NOT FORGET THAT WE WILL ALWAYS HAVE A SMALL PROPORTION OF OUR POPULATION THAT FOR VALID REASONS WILL NOT BE ABLE TO ATTAIN FULL SELF-SUFFICIENCY. THOSE INDIVIDUALS AND THEIR FAMILIES WILL NEED SOME TYPE OF ASSISTANCE FROM THE GOVERNMENT: FOR EXAMPLE, PEOPLE WITH CHRONIC DISABILITIES, INDIGENT SENIOR CITIZENS, CHILDREN AT RISK AND WOMEN WITH CHILDREN WHO MUST TAKE CARE OF THEM PERSONALLY.

***WE ALSO REITERATE THAT THE REFORM EFFORT MUST ENVISION A COMPREHENSIVE WELFARE STRATEGY WHICH WILL RESULT IN CAREFULLY***

DESIGNED PROGRAMS THAT WILL HELP PEOPLE PULL THEMSELVES OUT OF POVERTY. THUS, THE PRESIDENT'S PLAN MUST CONSIDER THE POSSIBILITY OF EXTENDING WELFARE RESOURCES AND RESPONSIBILITIES TO GROUPS THAT HAVE BEEN TRADITIONALLY EXCLUDED OR UNDERSERVED BY WELFARE MECHANISMS.

A CASE IN POINT IS WHAT IS HAPPENING IN MY OWN DISTRICT, PUERTO RICO, HOME TO OVER 3.6 MILLION AMERICAN CITIZENS BY BIRTH, WHERE A LARGE SEGMENT OF THE POPULATION HAS BEEN CONDEMNED TO A PERMANENT UNDERCLASS OF POVERTY BY INCONSISTENT AND TOTALLY CONTRADICTORY FEDERAL POLICIES TOWARDS THE CITIZENS IN PUERTO RICO.

FIRST-TERM MEMBERS OF CONGRESS HAVE CONDEMNED THE GEOGRAPHICAL DISCRIMINATION TOWARDS THE CITIZENS LIVING IN THE TERRITORIES. IN THE PARTICULAR CASE OF PUERTO RICO, I AM APPALLED BY THE RECOMMENDATIONS OF THE ADMINISTRATION, WHICH SEEM TO DISREGARD ISSUES THAT I HAVE ATTEMPTED TO BRING TO THE TABLE. THE PROPOSED LEGISLATION DOES NOT ADDRESS AT ALL THE CAUSES AND ROOTS OF POVERTY IN PUERTO RICO, THE POOREST PER-CAPITA JURISDICTION IN THE ENTIRE NATION. AS A MATTER OF FACT, IN PUERTO RICO IT DOES JUST THE OPPOSITE, THE WELFARE REFORM INCREASES THE DIFFERENCE IN RESOURCES AND OPPORTUNITIES TO THE POOR, THE ELDERLY, ABANDONED MOTHERS, THE HANDICAPPED AND CHILDREN.

UNFORTUNATELY, THE INCOME GAP BETWEEN THE MAINLAND AND PUERTO RICO CONTINUES TO WIDEN WITH THE PASSING OF THE YEARS AND THE ISLAND'S PER CAPITA INCOME IS THREE TIMES BELOW THE NATIONAL AVERAGE. THIS RESULT IS BROUGHT ABOUT BY THE GEOGRAPHIC DISCRIMINATION AGAINST THE U.S. CITIZENS IN PUERTO RICO.

THE WHITE HOUSE TASK FORCE HAS MERELY PROPOSED A 25% INCREASE TO THE ALREADY EXISTING ARBITRARY CAP APPLICABLE TO PUERTO RICO, A CAP THAT HAS NOT BEEN SIGNIFICANTLY TOUCHED IN THE LAST 15 YEARS! THE CAP WILL AMOUNT TO \$102.5 MILLION, UP FROM THE CURRENT \$80 MILLION. DO YOU HONESTLY BELIEVE THAT THE \$20.5 MILLION INCREASE WILL HAVE ANY SIGNIFICANT EFFECT TO HELP MORE THAN 50% OF THE 3.6 MILLION U.S. CITIZENS IN PUERTO RICO WHO LIVE IN POVERTY LIFT THEMSELVES OUT OF POVERTY? HOW CAN ANYONE RATIONALIZE SUCH A POLICY DECISION?

THE GOALS AND BENEFITS THAT WELFARE REFORM WILL RENDER TO THE POOR AND UNDER-PRIVILEGED IN THE 50 STATES ARE NOT IN THE HORIZON FOR PUERTO RICO AND THE OTHER TERRITORIES. THIS SITUATION CANNOT BE TOLERATED IN A FIRST RATE DEMOCRATIC NATION LIKE OURS. THE

ADMINISTRATION IS PLAINLY IGNORING THE ISSUE IN ITS TERRITORIES. ARE THE LIVES OF U.S. CITIZENS IN THE TERRITORIES LESS IMPORTANT THAN THE LIVES OF U.S. CITIZENS IN THE 50 STATES?

*TO GIVE YOU AN IDEA ON HOW INCONSISTENT THE FEDERAL POLICIES TOWARDS PUERTO RICO ARE, CONSIDER THE FOLLOWING: ELDERLY POOR AND/OR DISABLED CITIZENS ARE NOT ELIGIBLE FOR SUPPLEMENTAL SECURITY INCOME ASSISTANCE. A FAMILY OF THREE ELIGIBLE FOR AFDC PAYMENTS (AID TO FAMILIES WITH DEPENDENT CHILDREN) RECEIVE ONLY A MONTHLY AVERAGE PAYMENT OF \$98, THIS SAME FAMILY LIVING IN THE MAINLAND WOULD RECEIVE APPROXIMATELY \$450 PER MONTH.*

*TO COMPLICATE MATTERS FURTHER, THIS SAME FAMILY NOT ONLY LACKS OF ADEQUATE RESOURCES TO STAY AFLOAT, BUT IN FACT FACES A CATCH-22 SITUATION SINCE SUCH A FAMILY IN PUERTO RICO CANNOT TAKE ADVANTAGE OF THE EARNED INCOME TAX CREDIT — A PROGRAM SPECIFICALLY DESIGNED TO PROVIDE INCENTIVES FOR THE WORKING POOR — WHICH IS INAPPLICABLE IN PUERTO RICO.*

*THE EARNED INCOME TAX CREDIT IS A CRITICAL COMPONENT OF THE WELFARE REFORM EFFORTS AND WE THANK THE PRESIDENT AND MANY MEMBERS OF THIS HOUSE FOR HAVING EXPANDED THIS PROGRAM IN A SIGNIFICANT WAY LAST YEAR. BUT IN PUERTO RICO — TO THE WORKING POOR IN MY ISLAND — THE EXPANSION NOT ONLY DOES NOT HELP IN ANY WAY, BUT ON THE CONTRARY, IT HELPS ONLY TO WIDEN THE INCOME GAP BETWEEN THE U.S. CITIZENS IN PUERTO RICO AND THE CITIZENS IN THE 50 STATES.*

*HOWEVER, INSTEAD OF ADDRESSING THE CRITICAL NEEDS OF THOUSANDS OF CITIZENS IN MY DISTRICT, CONGRESS AND THE FEDERAL GOVERNMENT HAVE OPTED FOR GIVING TO WEALTHY CORPORATIONS IN PUERTO RICO EXTREMELY GENEROUS TAX BREAKS, AMOUNTING TO BILLIONS OF DOLLARS EACH YEAR, YES BILLIONS — WITH A "B" AS IN BARBARIC — AND NOT TAXING THOSE OF US WHO CAN PAY, AND THEN DENY THE NEEDY CITIZENS THE BENEFITS THEY SHOULD BE ENTITLED TO.*

AS A COLONIAL DELEGATE WITHOUT THE POWER OF THE VOTE IN THIS HOUSE, I CAN ONLY BRING TO YOUR ATTENTION THE NEED FOR MEANINGFUL CHANGES LONG OVERDUE FOR YOUR FELLOW CITIZENS IN PUERTO RICO. I CANNOT VOTE, BUT MY COLLEAGUES CAN, AND THE POWER TO CHANGE THINGS RESTS ON THEM AND ON THE PRESIDENT.

*THE POOR DO NOT PAY TAXES AND THEY SHOULD NOT BE CONDEMNED TO A PERMANENT UNDERCLASS. WE MUST AGGRESSIVELY PROMOTE POLICIES THAT BREAK THE POVERTY CYCLE. THERE ARE OVER 140,000 CHILDREN LIVING IN*



***POVERTY IN PUERTO RICO. WHAT SHALL I ANSWER THEM WHEN THEY OR THEIR MOTHERS ASK ME WHY THEY WERE EXCLUDED?***

THE POOR, WHEREVER THEY ARE IN OUR NATION, SHOULD HAVE MEANINGFUL OPPORTUNITIES THAT WILL ENABLE THEM TO PROGRESS AND BREAK THE CYCLE OF POVERTY. POOR PEOPLE IN PUERTO RICO IN NEED OF NUTRITIONAL ASSISTANCE CAN ONLY OBTAIN 2/3 OF WHAT THEIR COUNTERPARTS IN THE 50 STATES RECEIVE BECAUSE THE FOOD STAMPS PROGRAM IS ALSO CAPPED. EVEN POOR CHILDREN ARE SHORTCHANGED IN THEIR EDUCATIONAL OPPORTUNITIES SINCE FEDERAL ASSISTANCE UNDER THE CHAPTER ONE PROGRAM, WHICH IS DESIGNED TO ASSIST POOR SCHOOL CHILDREN, IS ALSO SEVERELY CAPPED AT ABOUT 45% OF WHAT IT WOULD BE IF WE WERE A STATE.

POVERTY DEMORALIZES NOT ONLY THE ONE WHO SUFFERS FROM IT, BUT ALSO DEMORALIZES THE SOCIETY THAT TOLERATES IT.

THUS, I CALL ON THIS CONGRESS AND ON THIS ADMINISTRATION TO SERIOUSLY CONSIDER THE REPERCUSSIONS OF TOLERATING DISCRIMINATION AGAINST NEEDY U.S. CITIZENS. GEOGRAPHIC LOCATION SHOULD NOT BE A BARRIER TO BETTER OPPORTUNITIES. LET US PROVIDE THE APPROPRIATE TOOLS AND RESOURCES AND MOST PEOPLE WILL HELP THEMSELVES.

THERE IS NO JUSTIFICATION FOR THE AFDC CAP CONTAINED IN THIS BILL AND I URGE MY COLLEAGUES TO SUPPORT ME IN SEEKING ITS REMOVAL.

MR. CHAIRMAN I ASK FOR UNANIMOUS CONSENT TO REVISE AND EXTEND MY REMARKS AS I WILL BE SUBMITTING FOR THE RECORD SEVERAL ADDENDUM WHICH WILL EXPAND ON THE POINTS I HAVE JUST MENTIONED AND WHICH MAY INCLUDE ADDITIONAL QUESTIONS ADDRESSED TO ADMINISTRATION OFFICIALS.

I THANK THE ADMINISTRATION FOR FOSTERING A CAREFUL ANALYSIS OF THE WELFARE ISSUE AND FOR SEEKING A CONSENSUS ON SOLUTIONS THAT WILL BENEFIT ALL OF US HOWEVER, I MUST CRITICIZE ITS UNWILLINGNESS TO ADDRESS THE WELFARE POLICY DILEMMA THAT AFFECTS HUNDREDS OF THOUSANDS OF AMERICAN CITIZENS IN PUERTO RICO. THANK YOU.

Mr. ENGLISH. Thank you. Thank you, sir.

Mr. ROMERO-BARCELO. Thank you.

Mr. ENGLISH. We will move to questions.

Ms. Dunn will inquire.

Ms. DUNN. Mr. Chairman, I want to thank the panel for coming before us. I apologize for the few Members who are here to listen to you. It is because we have a very long day today, and we are fitting a lot of Members in.

If it were a typical hearing day we would spend a great deal with each of you to take advantage of your personal knowledge at the same time that you are representing a large constituency before the Congress, so I hope you will allow us to make use of you as a resource, each of you as we move through this whole thing.

The impression that I get from this panel and ones that have preceded is that we are very, very lucky to have folks on both sides of the aisle with such great knowledge and that this is an area where if we are very thoughtful about our input as you have been we can come together with a bipartisan plan to replace the current welfare system.

I have one brief question, Mr. Greenwood. I wonder if you could quickly summarize for us the table that you have included in your testimony, table 1, Federal Payments for Medicaid and so forth for us, and how it affects a State, for example, Washington.

Mr. GREENWOOD. Certainly, thank you for your interest. Overall the individuals paying Federal income tax payments are forwarding to the Federal Government on the order of about \$500 billion per year. The Federal Government then sends back to the States a little over \$100 billion in means-tested programs—Medicaid, AFDC, food stamps. The point of this exercise is to suggest that perhaps we can short circuit that process since 20 percent of the Federal tax dollars are coming to Washington and turning right around and going back with strings attached. If we simply gave States the option of fully financing their own welfare programs, then we could give tax credits directly to the individuals in those States in an amount proportional to what their State has historically been receiving from the Federal Government.

Let me see if I can find Washington State on here. Washington State receives back from the Federal Government approximately 15.9 percent of all of the Federal income tax dollars paid by individual citizens of Washington State.

In other words, if your State chose to finance those programs entirely with State dollars, your residents could then take a 16-percent credit against their obligation. Those dollars would never come to Washington, and your State officials would have them available to use for these programs. If the States are efficient and creative, they would probably not need to take all of that 16 percent back.

Ms. DUNN. Governor Castle, could you respond to that? Is that a good idea?

Mr. CASTLE. It is a good idea for Delaware. We are even lower than Washington State. I think it would depend to some degree on your vantage point from what State, but the concept is an excellent idea. I think what Congressman Greenwood is saying in part is that we create expenditures by—and regulation and complexity by

having moneys flow through to Washington then back out to the States and then to individuals, which is really what these entitlement-type welfare programs are, regardless of whether they should be cut off or not, that is really what they are.

And if you could have it directly within the States, you might give the States a greater flexibility, you eliminate the bureaucracy in Washington, there would be a fairness issue in terms of what you are paying in and what you are getting back, and I think ultimately it could work. It would obviously take a lot of work to get it to a point where it is something that everybody could accept and to see how it could pertain, but it is certainly a very interesting and potentially viable idea.

Ms. DUNN. Ms. Holmes Norton, does that do anything toward solving your point of the bureaucratic confusion back here?

Ms. NORTON. It does, but I am wondering about its impact on large cities, and the first thing I thought about is that I would like to see a copy of Mr. Greenwood's chart. Indeed, Ms. Dunn, one of the great missing elements in this debate has been word from the mayors and the county executives who live closest to the welfare recipients, and I would like to see Mr. Greenwood's notion sent through their prism, far closer to these expenses than the Governors have been. I take particular note of what Mr. Castle has had to say because he comes from a small State which has forced him even as Governor to live very close to these problems.

Mr. GREENWOOD. If I may, the District of Columbia receives back from the Federal Government 29.5 percent of every tax dollar paid by individuals, and obviously it is a fairly short trip in this town. You could probably take the receipts about two blocks one direction and then two blocks back in the other direction. I would submit, however, that even in that short physical trip here in the District, a lot of that 29.5 percent gets consumed in Federal bureaucracy. If the District of Columbia were to say that they would pay for all of its welfare programs, every resident of the District would get a 30-percent tax credit. The District could itself choose how to obtain the revenues needed to fund its programs.

Ms. DUNN. Thank you, Mr. Chairman.

Mr. ENGLISH. Thank you very much.

Mr. Greenwood, you have an unusual background to bring to this debate, having served prior to becoming a legislator as a social worker, having served in the State legislature in Pennsylvania as one of the leaders in an ongoing fight for welfare reform, and I wonder with that perspective could you amplify on your suggestion of the creation for unwed mothers of a petition of dependency. I know that in the debate on welfare reform all too often there has been a tendency in the media to hijack the discussion into a controversy over orphanages, but you brought up, I think appropriately so, that in certain situations foster homes and group homes can provide a better climate in which young people could be raised.

Could you please comment on that and what has the track record been with these sorts of institutions?

Mr. GREENWOOD. Thank you, I would be happy to. The reality is we have a good system in this country for kids who don't have good homes. Whenever a child is brought to the attention of school offi-

cials, physicians, or nurses, there is an investigation that occurs, and if the child does not have a good home, then we have a system to provide one for him or her.

The county government obtains custody of that child if the situation can't be worked out. If it is a marginal case, we can try to keep that child at home and provide social services. But if it is really a dangerous place for that child or if there is literally no place for that child to go, then the caseworker drafts a petition saying this is a dependent child, that his parents either abuse, neglect or reject him. The court then holds a hearing where the parents are entitled to testify. If the judge says yes, that is a dependent child, the county finds a good home for that child—in most cases it is a foster home.

My suggestion is simply that the mere fact that a teenager has conceived a child doesn't make her any less of a child herself. In fact, it makes her more in need of adult supervision.

I would simply suggest that we get away from this ridiculous notion that if we stop paying cash benefits to teenagers that they and their children will all end up in orphanages. That is not the point. The point is if they themselves are out seeking public resources because they don't have a good home, then we need to find them a good home. I think ideally we should find them a home with their infant, and we should take that time and use our resources wisely to enable them to become self-reliant themselves.

The status quo is the most brutal you could imagine. Under the current system we allow very young women to live in hovels and basements and cold, miserable excuses for habitat, and then just because they produce a child we mail them a check, and we mail them food stamps once a month. They don't have the financial resources to really make it, and they have no adults in their lives to assist them, and the results are predictable. They often abuse their children, neglect their children and turn to a lot of the behaviors that people turn to when they are in despair. They frequently are stuck in a cycle of poverty for all their lives.

Mr. ENGLISH. Thank you. Congressman Castle and Congressman Greenwood, both of you have come to Congress out of State government having had extensive careers there. There has been a general concern expressed by some opponents of welfare reform proposals that have been offered here that if there is an end to entitlements, for example in AFDC, and a movement toward block grants that many States might stage a retreat from their commitment to providing assistance for our poorest people.

That recently has been extended to include concerns about changes in SSI. My question to the two of you is that given your experience and given your familiarity with the people in State government all over the country, do you feel this is a legitimate concern or with a shift to block grants do you think that the States are going to continue to make an effort to provide for their poorest citizens?

Mr. CASTLE. Mr. Chairman, I think it is a legitimate concern, perhaps one we can match. I think initially if we went to block grants that we build in some inflationary factor in virtually all these programs, although it gets more difficult with Medicaid, I think you will probably see a fairly good reaction in terms of man-

aging the problem both from the Federal Government and the State governments, because in my judgment there probably is some tightening which could go on in this system, but at some point after a few years or a couple years and you have done some of that, and all of a sudden you are looking at the same block grants without growth, you could have a problem.

I have suggested in my testimony the possibility of a rainy day fund. There is no question that welfare rolls in this country are affected by unemployment rates or poverty, but the fluctuation may be measured by unemployment rates and other poverty rates as an indication of how various geographical areas are doing.

By the way, sometimes it isn't how the country is doing, you may have the Midwest not doing well and the rest of the country—the East Coast and West Coast are doing well or vice versa. This happens also.

I think to have a system that would be completely inflexible would really be a problem. I do like the idea of block grants, which isn't that far unrelated from what Congressman Greenwood was testifying to earlier, that is, have the money flow directly back to the States as opposed to worrying about all the details of the per se entitlement for each person in the country. The States could make up their own methodologies for doing this.

You suggested something else. It suggests the possibility of different States cheating a little bit here or there. There might be some minimum standards that would have to be imposed in order to prevent that, some States that don't have a particular welfare problem, that don't have a big welfare population next to it might to some degree try to play games in the circumstance or even those who are competing with each other might try to get below the other one to encourage welfare recipients to move. I don't see as much of that as sometimes we hear.

That could happen as well, so there are problems in block granting, without a doubt, but the concept is not all bad because it is a simplification of something which has become extraordinarily complex. As we get away from the entitlement, pure entitlement concept and we get to the time-measured cutoffs in some way or another, and I suspect because of what the President has said, what some of the moderate conservative Democrats have said because of what Republicans are saying, we are looking at some time cutoff.

I don't know if it would be 2 years. I would urge a little more flexibility, but some kind or another that these are the kinds of things that we should be looking at, so the block grants should be explored but very carefully, not just in one sentence in a piece of legislation. We really need to understand it thoroughly, I believe.

Mr. ENGLISH. Mr. Greenwood.

Mr. GREENWOOD. Very briefly because the time has elapsed. I think 40 years ago the Federal Government did exactly what it needed to do, and that is usurp powers from the States because the States were systematically denying the rights of American citizenship to minorities and others. That was the right thing to do because at the same time those States were denying minorities access to the political system to change the governments within their States.

I think since then we have, through a lot of Federal actions, empowered people in every State to be strong advocates, and they have demonstrated their political powers. Every group and subgroup you can imagine has done that. Now I think it is time for political maturity in this country.

I think the tools are there and available in every State. Advocates for the poor, advocates for the elderly, and advocates for the children can go to their State capitols, and push hard for the kinds of programs they want and throw out of office the people that they don't think show the compassion.

Ms. NORTON. Mr. Chairman, could I say one word on that because I think nobody impugns the motives of State officials or lobbyists who go and put pressure on State officials. I think the appropriate question is what happens if you reach the end of a block grant and you are in a recession?

Of course, the Governor and the mayor will do what they can, but understand what that means. It probably means raising taxes at the local and/or State level, a regressive tax to take care of a national problem. That is what I mean by denial, not going that extra step and understanding that is what would happen.

Mr. ENGLISH. Thank you, Ms. Holmes Norton. I appreciate your remarks. I have taken some of the testimony presented before this Committee to suggest that State officials might retreat from their recent commitment to poor people. That is something I wanted clarified here.

Thank you very much for taking time out from your very hectic schedules to participate in this hearing today and offer your own unique perspectives.

Mr. WALSH. Mr. Chairman, just one last word if I might beg your deference.

This issue of block grants, if that is the direction that this Committee determines to head in, be very sure that there is a vehicle set up for annual adjustments to this program because once Congress loses control of the program on a national basis, you are going to have to look to the Governors to determine what the appropriations are going to be.

Mr. ENGLISH. Thank you, Mr. Walsh. We will introduce the next panel now.

The Chair is delighted to welcome to testify before the Subcommittee today, Hon. Michael Bilirakis, Member of Congress from Florida, Hon. John Myers, Member of Congress from Indiana, who is accompanied by Hon. Dean Young, State representative from Indiana, Hon. Nydia Velázquez, Member of Congress from New York, and Hon. Karen Thurman, Member of Congress from Florida. Welcome.

Thank you for coming today to offer your expertise and to present testimony. We would prefer that you limit your remarks here today to 5 minutes. But you are also welcome to submit written testimony for the record.

Thank you very much. I would like first of all to recognize Representative John Myers of Indiana.

**STATEMENT OF HON. STEPHEN E. BUYER, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF INDIANA, AS PRE-  
SENTED BY HON. JOHN T. MYERS, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF INDIANA**

Mr. MYERS. Thank you, Mr. Chairman and Ms. Dunn, thank you very much for the attention you are giving to a very important problem. I am appearing as a substitute for Representative Buyer and will not testify.

Today we have Indiana State Representative Dean Young, who has been on the leading edge of welfare reform for the State of Indiana. He has introduced legislation in both the 1993 and 1994 sessions dealing with AFDC, term limits for recipient mothers, and fraud in welfare.

Also at this time I would like to insert a statement from our colleague Steve Buyer, who intended to be here but attended a funeral in Indiana this morning. I request that Representative Buyer's testimony be submitted for the record, as well as the written comments from Indiana Senator Luke Kenley.

[The prepared statements follow:]

**TESTIMONY OF HON. STEVE BUYER  
A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA**

Mr. Chairman, I thank you and the members of this Committee for allowing Indiana Representative Dean Young and me the opportunity to discuss welfare reform. This issue is of tremendous importance to my District, the State of Indiana, and our nation.

I am proud to introduce Representative Dean Young, who travelled from Indiana to discuss welfare reform initiatives within the State of Indiana, and the need for flexibility to the states. As a Representative in the Indiana General Assembly, Mr. Young introduced welfare reform plans in 1993 and 1994, and has been a leader in welfare reform within the State of Indiana. Representative Young has ideas which could further reform the welfare system in Indiana by reducing bureaucracy and costs, thereby lowering the tax burden already placed on Hoosiers in Indiana's Fifth District and across the State.

Mr. Chairman, I believe welfare reform can take place at the state and local level if we provide states with the proper flexibility. By enacting reforms at the Federal level we will poise the states to further adjust our flawed system, and transform it into one that functions as it was originally intended to -- as a means of temporary assistance. Last year, constituents from across my District, from Lake to Blackford Counties, told me that welfare reform is one of the most pressing social issues of our time. They are irritated by big government programs which continue to expand and take money out of their pockets, while the number of successes from such expanded programs continues to lag disproportionately.

In regard to welfare initiatives within the State of Indiana, it is important to note that while Indiana was recently granted Federal permission to begin to implement plans for effective reform, a total of 42 Federal waivers had to be approved (after a substantial waiting period). Thus, after these plans were formulated at the state level, yet another level of bureaucracy had to be conquered. We should allow states the flexibility to determine how to best meet the needs of the welfare system.

As stated earlier, Indiana has already started to reform its system by formulating plans to attack the roots of welfare dependency, and by helping individuals to acquire the skills to remain independent of government assistance. Such reforms include: the establishment of a 24-month lifetime limit for Aid to Families With Dependent Children (AFDC) while parents look for work, a requirement that all AFDC applicants sign a Personal Responsibility Agreement that requires AFDC parents to agree to certain requirements, such as ensuring their children will attend school, stiff penalties for welfare fraud whereby individuals found to have abused the system are permanently ineligible for benefits, and the requirement that minor parents reside with a parent or adult thereby highlighting the importance of the family unit, just to name a few. Many of these ideas are contained in the welfare reform plan contained in the Contract With America, H.R. 4, the Personal Responsibility Act. I am proud to see the leadership which the State of Indiana has already taken on this issue.

The problem with increasing welfare rolls is clear. Comparing figures from fiscal years 1993 and 1994, food stamp issuance in the State of Indiana increased by approximately 5 percent. While some counties in my District showed decreased numbers, those numbers were countered by increases in other counties. For example, Pulaski and Warren Counties had food stamp issuance decreases of 5.4 percent and 9.4 percent respectively. For the same time period, Newton and Marshall Counties showed increased food stamp issuance by 5.7 percent and 30.2 percent respectively. This is just one example of an expanding program, which means increasing welfare rolls, and increasing costs.

We need to do more than shift our broken welfare system to the states. We need to fundamentally change the system from one of disincentives to empowerment and opportunity, while emphasizing the importance of the state flexibility in meeting the specific economic needs of the citizens within each state.



State of Indiana



Senator Luke Kenley  
Post Office Box 509  
Noblesville, Indiana 46060  
Residence (317) 817-1171  
Business (317) 773-2060

Senate

Committees:  
Finance  
Taxation Subcommittee  
Judiciary  
Planning & Public Services  
Corrections, Criminal & Civil Procedures, P.M.

January 30, 1995

Dear Congressman Buyer and members of the Committee,

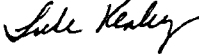
Thank you for the opportunity to share some thoughts regarding welfare reform as you deliberate on this subject. State Representative Dean Young and I filed a comprehensive welfare reform bill here in the State of Indiana in November of 1993, and have been fighting to bring sense to this system since that time. Let me share a few brief thoughts with you regarding our efforts:

1. Implementing even the simplest of reforms at the state level has been virtually impossible, since a federal government waiver is required at every turn.
2. Federal decision makers who grant waivers resist even the simplest reforms at every turn, refuse to consider statistical information regarding issues which show that current federal practices are rewarding the wrong values and promote benefit programs designed to keep people on the dole instead of trying to make it on their own. It is clear that they think they are in charge of our values and goals and are willing to ignore not only factual arguments from the states, but I strongly sense that they are thwarting the intent of the federal Congress, because they have a different viewpoint from that of the Congress. This has been true even prior to the last election.
3. The federal waiver granters in the Executive Branch are determined to make Medicaid the basis of universal health care, even though Congress last year resoundingly defeated this concept at the request of the American people. Waivers regarding the Medicaid program are uniformly denied if the granters sense that eligibility standards will be lowered.
4. Economics have no meaning to the waiver granters. Cost control is not part of their evaluative equation. It appears that they are determined to spend more on welfare regardless of whether anyone is being helped to get off welfare or not. Their mission seems to be to get people dependent on government.

5. The number of programs providing assistance and the amount of bureaucracy created to deliver benefits is astronomical. I am sure we could cut costs of the entire system in the states and federal programs by 20% by streamlining administration, combining and eliminating programs, and still provide 100% of the benefits we are giving recipients (which we don't need).
6. State government, being closer to the recipient and the taxpayer, has been administering federal concepts for some time. As the shop manager could often tell the owner of a business many simple ways to improve operations, the states are at a point in history where they can help the federal government to improve the management of the welfare program.
7. Government welfare systems must have as their goal the intent to make every person independent of government, proud to be self-determinative, and free to make their own success in life. Our current federally driven system destroys any such ideals and operates on the premise that people are incapable of directing their own lives.

Thank you for the opportunity to share these thoughts. In the news, many state leaders are asking for block grants, saying "Give us the money, don't tell us how to spend it, and we will do a better job on welfare than you do." I am not so foolish as to believe that those people who provide the money are not going to control the use of that money. Block grants may have some validity in the short run, but in the long run the federal government should reduce taxes, reduce programs, and let the states deal with this problem. Federal government has proven that it cannot successfully create and manage an assistance program for the poor - witness the disastrous results of the current state of affairs in this area. Good luck in your deliberations. Please give us an opportunity to reclaim our rightful responsibilities in our federalist system.

Sincerely yours,



Luke Kenley  
Indiana State Senator

LK\jp

Mr. ENGLISH. Thank you very much.

Mr. Young, we look forward to your testimony. It is wonderful to have a perspective from the statehouse as we deliberate the design of welfare reform.

**STATEMENT OF HON. DEAN A. YOUNG, STATE  
REPRESENTATIVE, STATE OF INDIANA**

Mr. YOUNG. Thank you very much, Mr. Chairman and Members of the Committee.

I bring you greetings from the State of Indiana and a message from them with respect to welfare reform. We have intensely debated that issue over the last 3 years, and of course on that issue, as with any issue, there is a wide divergence of opinion on how best to address it. That divergence includes such plans and programs that perhaps it would be best, since the welfare system we all agree is broken, that we repair that system by additional programs of job training and job education. Then on the opposite end of that divergence of opinion are those, and they are increasing in number, who believe that the welfare system is not broken but rather it never did work, and that therefore you cannot repair something that never did work and that the only good that can come from our welfare system is from its ending.

But there are basically two points that all of us in Indiana who have been involved in the debate agree upon, and the first point is that welfare reform is the single most important social issue of our time. The second point is that any possible hope for reform of that welfare system must come from the State and local level, and so I am going to suggest to you what I am sure many have who have presented testimony here to you throughout this process, and namely that States need as much flexibility as possible in order to implement the reforms that must take place in order for any type of welfare system to have any measure or opportunity for success.

What I fear that has happened in this partnership over the last 30 years between the State and Federal Governments in the delivery of welfare is that we have developed an environment of one size fits all, that we develop categorical needs and categorical funding for those needs, and we put people into certain pigeonholes and classifications. We cannot distinguish or discriminate between the truly deserving and the free rider, which has often produced such unintentional results as, for example, individuals can be convicted of welfare fraud and after the court and the judge is through with them, they requalify for benefits.

As a prosecuting attorney for 10 years before I was first elected to the General Assembly in Indiana in 1992, I witnessed this on not too rare of an occasion. Additionally, individuals who are already on welfare would have additional children and receive additional subsidies for those children without any responsibility in return, and this causes real damage to our society, and our culture.

Our culture teaches us that you should not have children that you cannot afford and that those children you do have should be within the institution of marriage, but our government tells us that it is OK if you do so and pays you subsidies for your effort. An additional thing which I witnessed often as a prosecuting attorney was parents of children would separate those children between

themselves or other members of their family in an effort to create additional welfare-eligible families.

These types of things destroy us, so we have proposed some 42 waivers that have been part of a collaborative effort between the legislature and our Governor's office in the summer and fall of 1994. These are things that we believe will empower our State to make significant changes in this area. It was individuals who were involved in that process who had very divergent opinions, as I spoke to you about earlier, but it took us 6 months to secure those waivers, those that we did secure, and those that we did secure came with numerous terms and conditions for the 42 waivers we sought we received back 23 pages, single spaced, typewritten terms and conditions that the Federal Government imposed in exchange for the right to implement, or try and implement those particular proposals, I respectfully suggest to you that we can do what we have done best throughout the years, and that is take care of our own.

In Indiana we have always taken care of our poor. We have a trustee system at the local level that extends the length of time that we have been a State where we take care of those people who cannot take care of themselves. We ask you for the opportunity to continue that effort. Our system in Indiana was not broken before we were called upon to fix it some 30 or more years ago. I am asking here today on behalf of the people of the State of Indiana, the Indiana General Assembly, and our Governor that we be allowed to continue to address those efforts with as much flexibility as we possibly can.

Thank you for the opportunity to be with you here today.

[The prepared statement and attachment follow:]

Statement of Indiana State Representative Dean Young  
Before the House Ways and Means Subcommittee on Human Resources

United States House of Representatives

January 30, 1995

Thank you Mr. Chairman and members of the committee. I bring greetings from Evan Bayh, Governor of the State of Indiana; Paul Mannweiler, Speaker of the Indiana House of Representatives; Robert Garton, President Pro-tem of the Indiana Senate; and from the people of the State of Indiana. I welcome the opportunity to share with you some of the measures undertaken in the State of Indiana in the area of comprehensive welfare reform.

I am here to discuss some of the major proposals offered by Governor Bayh, the Indiana House of Representatives and the Indiana Senate on this most critical issue. The approaches to resolving the welfare crises are as diverse as the issue is complex. In Indiana, proposals range from the elimination of state and federal welfare programs to the creation of new programs and the expansion of existing ones. Indiana is poised to reform the welfare system within the state. Please help us in this reform effort by allowing greater flexibility to the states to ensure that the particular economic needs of the citizens of Indiana can be properly addressed.

We must end a system of government that does not and cannot work efficiently. The federal government's "one size fits all" approach to welfare reform is no longer the best means to solving welfare issues in cities and towns across the country. The time has come to allow greater state flexibility so as to foster the formulation of targeted solutions suited to particular socioeconomic needs within the state.

There is room for compromise on this issue, and we in the state legislature believe compromise can be reached; however legislation which increases by one the number of recipients on the welfare rolls is not compromise. We need a system that will empower individuals and facilitate opportunity.

Such a system will allow elected officials at the state level to reform the system with proposals which can target those in need of skills; can provide temporary assistance to those in need; and can encourage individuals to pursue a life independent of government assistance. The Indiana State legislature has already started to attack the welfare system for effective change. Last session, the State of Indiana had to apply for 42 waivers from the federal government in order to begin to implement these reform plans, but was prevented from expeditious implementation of these plans for six months while waiver applications were processed.

Indiana is a leader in welfare reform. Attached you will find a list of many of the proposals pending in the state legislature. The welfare reform measure that I introduced in 1993 included many of the reforms listed below, and could have saved the State of Indiana \$200 million.

- The suspension of driver's licenses and prohibition of the issuance of driver's licenses to individuals who are delinquent in the payment of child support;
- The establishment of a budget cap for spending on welfare programs;
- The prohibition of the issuance of AFDC assistance to a person convicted of welfare fraud;
- Requiring a dependent who is a parent to reside with a parent, legal guardian or adult relative (subject to certain allowances);
- Limitations on the additional benefits which may be granted for a dependent child born more than 10 months after a family qualifies for assistance. Establishes a 24 month lifetime cap on the receipt of welfare assistance;
- Requiring qualifying recipients between the ages of 7 and 19 years to attend school.

In 1965, the year in which the Great Society came to dinner and refused to go home, unemployment in our nation was 4.5 percent. And there was no welfare system in place. Thirty years later our nation experiences a similar unemployment rate, but such figures are despite our welfare system, not because of it. In an effort to help the poor, our government declared war on poverty. By 1969 poverty in the nation had decreased to 12 percent. This reflected a period of constant decline in poverty over the previous 30 year period. Today, after spending \$5 Trillion, an amount nearly equal to our national debt, 14.5 percent of our nation live in poverty.

I hope each of you takes the time to review the various proposals which are now before the Indiana General Assembly. Without waivers from the federal government none of these proposals can become the law in our state. We in the states must be free to experiment creatively in the area of welfare in an effort to promote the highest quality of life for all of our citizens.

Ladies and gentlemen of the committee, the time for true welfare reform is now. As I have stated, the State of Indiana is ready to charge ahead in this effort. Already we have formulated reform proposals to address the specific needs of Indiana residents. We in Indiana respectfully request your support in addressing this flawed system.

Respectfully submitted,

Dean Young  
State Representative  
Indiana House District 31

Attachment to Testimony Submitted to the  
House Ways and Means Subcommittee on Human Resources  
by Dean A. Young

SUMMARY OF WELFARE REFORM LEGISLATION PROPOSED IN INDIANA

Suspend the driver's licenses and prohibit the issuance of driver's licenses to individuals who are delinquent in the payment of child support.

Further defines the private insurance demonstration project involving the AFDC Medicaid population.

Allows the establishment of pilot welfare programs if such programs can be funded within the welfare spending cap.

Prohibits the issuance of AFDC assistance to a person convicted of welfare fraud.

Allowing certain exceptions, requires a dependent child with a child to reside with the dependent child's parent, legal guardian, or adult relative.

Grants one year of assistance to legal aliens, forbids the issuance of assistance to illegal aliens, and establishes the guidelines for assistance to the children of aliens.

Limits the additional benefits which may be granted for a dependent child born more than 10 months after a family qualifies for assistance. Establishes a 24 month lifetime cap on the receipt of welfare assistance.

With certain exceptions, requires qualifying recipients between the ages of 7 and 19 years to attend school.

Restricts benefits for individuals voluntarily leaving employment.

Establishes the personal responsibility agreement under which a recipient would have to agree to comply with certain provisions in order to receive benefits.

Concerns the federal targeted jobs tax credit program.

Provides exemptions in certain cases from the various provisions of the personal responsibility agreement.

Adds requirements concerning the establishment of paternity.

Creates "workfare" program.

Requires the application of a resource standard in the determination of the eligibility of an applicant.

Additional language concerning welfare fraud.

Makes those who are ineligible for AFDC under the paternity provisions ineligible for medicaid as well.

Grants one year of Medicaid to legal aliens, forbids medicaid benefits for illegal aliens, and establishes the guidelines for Medicaid for the children of aliens.

Concerns payments under the Indiana Medicaid insurance demonstration project.

Establishes the Indiana Medicaid Insurance Demonstration Project providing private insurance for the AFDC Medicaid recipients.

Grants the ability to a township trustee to deny benefits to an individual or a member of their family who has been denied assistance by the State. Adds township trustee reporting requirements.

Adds several provisions to statutes concerning the establishment of paternity.

Suspends the licenses of practitioners who are delinquent in the payment of child support. Also, prohibits the issuance of licenses to these individuals.

Additional adoption, paternity, and child support provisions.

Makes the mother and father responsible for the expenses paid by Medicaid for prenatal care, delivery, hospitalization, and postnatal care.

Places a maximum 10 year time limit for the filing of an action to enforce a child support obligation.

Directs the FSSA to draft a personal responsibility agreement.

Establishes the Electronic Benefit Transfer (EBT) pilot program.

Directs FSSA to establish rules concerning the granting of exemptions under the rules to comply with the personal responsibility agreement.

Directs the FSSA to seek additional federal reimbursement for services and assistance provided by the township trustees.

Concerns the application for necessary waivers, as well as the implementation of these various proposals.

Pay AFDC checks directly to employers who return money back to the recipient in the form of wages.

Require immunization for children.

All appeals regarding food stamp denials must be in writing.

Remove categorical spending requirements dictated by the federal government.

Employers can use AFDC diversion money for training and education, and not just wage subsidies.

Remove requirement that imposes a 100 hour per month maximum work restriction for able bodied adults in the home.

Earn up to 100 percent of the federal poverty level without losing welfare benefits.



Mr. ENGLISH. Thank you, Mr. Young. Thank you for taking the time to join us.

The Chair recognizes Hon. Michael Bilirakis of Florida.

**STATEMENT OF HON. MICHAEL BILIRAKIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA**

Mr. BILIRAKIS. I, too, thank you and the other Members of the Subcommittee, Mr. Chairman. And as we all know, the Contract With America includes a number of provisions which are designed to improve the well-being of our Nation's children by strengthening the enforcement of child support. Such action is urgently needed because our Nation's system for enforcing child support orders has failed miserably.

In fact, almost 75 percent of custodial mothers who are entitled to receive child support either lack a support order or fail to receive full payment. Of those who have a child support award, not even half actually collect what is owed. In the United States, Mr. Chairman, child support has historically been governed entirely by State law and enforced through State courts.

State agencies provide free enforcement services to families on welfare, and also assist nonwelfare families with low-cost services. Unfortunately, State agencies have had an abysmal track record. These agencies established paternity in less than half the necessary cases, and less than 20 percent of the cases resulted in collection of any support at any time during the year.

In addition, Mr. Chairman, the time involved in processing cases is extensive. Even those parents who ultimately obtained a support order typically waited more than 6 months to obtain it, and 79 percent waited more than another month to receive the first payment.

To address these concerns, I strongly support legislation proposed by Representative Henry Hyde to create a more federally based child support enforcement system. Chairman Hyde's proposal which was designated as H.R. 773 in the last Congress would create a national registry of child support orders in the Internal Revenue Service.

Under that bill, the States would be required to transmit copies of all child support orders to the IRS for collection through wage withholding and distribution to the appropriate individual. Support orders would be enforced by the IRS in a manner similar to that used for tax evasion.

I understand that Chairman Hyde plans to reintroduce similar legislation in this Congress, and I certainly intend to lend my full support to the measure. We must recognize that the end result of any delinquency in child support is a lack of financial assistance designed to ensure the health and well-being of the child who is by definition an innocent victim.

Individuals who neglect that obligation simply transfer the cost to the rest of society, and they should not be rewarded for such action. For that reason I sponsored legislation in the last Congress which went through the Congress successfully and was enacted into law in the form of an amendment to the Small Business Reauthorization Act. When this Congress convened on January 4, I introduced what I called the Subsidy Termination for Overdue Payments or "STOP" Act.

This legislation would deny a broad range of Federal benefits to individuals who willfully refuse to pay child support. The legislation which I sponsored last year was limited to applicants for small business subsidies or loans from the Federal Government. The STOP Act would require applicants for Federal financial assistance to certify that they are not more than 60 days delinquent in the payment of child support or if delinquent that they are in compliance with the terms of an approved prepayment agreement.

In introducing this bill, my intent is twofold: First, to encourage payment of child support; and second, to preclude the use of Federal taxpayers' dollars to assist individuals who neglect their children. Under the bill, the Federal agency involved is not required to research the applicant's status.

Rather, an applicant for assistance must make a simple affirmative statement of compliance. The requirement will be enforced through existing provisions of Federal law which establish penalties for fraud in obtaining financial assistance.

Quite simply, the measure is designed to emphasize that payment of child support is a fundamental civic responsibility. Passage of the STOP Act will ensure that persons who fail to satisfy their most basic parental obligation are not rewarded for such action, and I am pleased that the proposal has been endorsed by the Children's Defense Fund and the Association for Children for Enforcement of Support or ACES.

Mr. Chairman, a letter from the ACES president tells me that the statistics on child support are appalling. According to ACES, there are 23 million children in America who are owed \$34 billion in unpaid support. Nine out of 10 children on welfare are entitled to support and do not receive payments.

If each of these children received the average child support payment, approximately \$3,000 per year, it would exceed the amount which most of them currently receive in welfare benefits. In fact, a Columbia University study found that almost 40 percent of all children on welfare could become self-sufficient if they received the support to which they are legally entitled. Mr. Chairman, with all the problems that we have in trying to solve the welfare crisis, it certainly would behoove us to concentrate on enforcing child support. If we could cut our welfare rolls by 40 percent, I think we all would welcome that opportunity.

Thank you very much, sir.

[Attachments to the prepared statement follow:]



The Association for Children for Enforcement of Support, Inc.

January 27, 1995

Congressman Michael Bilirakis  
2240 Rayburn House Office Building  
Washington, DC 20515

Dear Congressman Bilirakis:

ACES appreciates your efforts to improve child support enforcement in the U.S. We support H.R. 104, Subsidy Termination for Overdue Payments Act (STOP). It is time that we stop rewarding those who fail to support their children.

ACES believes H.R. 104 will encourage payment of child support while precluding the use of federal taxpayers' dollars to assist individuals who neglect their children. Provisions that require a 60-day delinquency and allow a "good cause" exception make sure that the bill is fair to those who are truly attempting to meet child support obligations.

There are 23 million children who are owed \$34 billion in unpaid child support in America. Nine out of ten children on welfare are entitled to support and do not receive payments. If these children received the average amount of child support, about \$3,000 per year, it would be more than most currently receive in welfare benefits. A Columbia University study found that almost 40% of those on welfare could become self-sufficient if support was paid by parents who have an ability to do so.

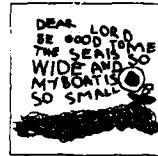
- Passage of STOP will emphasize that payment of child support is a fundamental civic responsibility.
- STOP will ensure that persons who fail to satisfy their most basic parental obligation are not rewarded for such action.

Thank you for your efforts for children entitled to child support.

Sincerely,

*Geraldine Japen*  
Geraldine Japen  
National President

OJ:rg



Children's Defense Fund

January 30, 1995

The Honorable Michael Bilirakis  
United States House of Representatives  
2240 Rayburn House Office Building  
Washington, D.C. 20515

Dear Representative Bilirakis:

The Children's Defense Fund appreciates your leadership in exploring ways to build on last session's legislation restricting availability of funds under the Small Business Act for parents who are delinquent on child support. Your new proposal, the "Subsidy Termination for Overdue Payments Act of 1995," expands this principle to other forms of federal financial assistance, and makes an important statement about how seriously government regards parents' responsibility to support their children.

Child support reform is critical. Our current child support system is failing our children. According to Census Bureau data, of those single mothers owed child support, only half get the full amount due; a quarter receive only partial payment; and a quarter receive nothing at all. The child support problem cuts across race and income lines, and plagues children in every community.

As a nation, we have failed to send a message that paying your child support is a fundamental civic responsibility, and that failure to do so has serious consequences. Efforts such as yours to reinforce that message are extremely helpful, and play a useful role as part of a broader effort to reform child support enforcement. We look forward to working with your staff to fine-tune the proposal to ensure that it collects the maximum support possible for children while at the same time maximizing the ability of non-custodial parents to generate income that can be used for child support and preserving subsistence benefits for very poor non-custodial parents and other dependents. We especially appreciate your ongoing commitment to this issue, and congratulate you for your continuing concern.

Very truly yours,

*Nancy Ebb*

Nancy Ebb  
Senior Staff Attorney

Mr. ENGLISH. Thank you, Mr. Bilirakis.

The Chair recognizes the gentlelady from New York, Ms. Velázquez.

**STATEMENT OF HON. NYDIA M. VELAZQUEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK**

Ms. VELAZQUEZ. Thank you, Mr. Chairman. Good afternoon. I would like to thank the Chairman for convening this hearing, and I ask unanimous consent that the entirety of my testimony be placed in the record to be followed by a report by the Tufts University Center on Hunger, Poverty and Nutrition Policy.

Mr. ENGLISH. Those materials will be included.

Ms. VELAZQUEZ. Thank you.

[The report had not been received by the time of printing.]

Ms. VELAZQUEZ. Mr. Chairman, I want to make it clear that local and national evidence demonstrates that neither current welfare programs nor many of the proposed solutions will solve the problem of poverty or increasing welfare rolls. New York's experience with the BEGIN Program and Tufts University's comprehensive study on poverty demonstrate that we have wasted too much time looking for character flaws in poor people as opposed to flaws in our economic policy. It is not that welfare recipients are lazy, irresponsible.

In fact, 70 percent of new AFDC recipients leave the rolls within 2 years, and most AFDC recipients are children, 67.7 percent. Recipients who are adults only account for 32.3 percent.

In 1988, New York City implemented the Begin Employment Gain Independence Now Program. BEGIN, run by the New York City Department of Social Services and the Human Resources Administration, provides education and training for welfare recipients and helps them get child care and other benefits as they move from welfare to work. BEGIN is required to enroll 50 percent of New York's welfare recipients.

To date, BEGIN has met its participation requirement and will receive \$157 million for fiscal year 1995. Well, if BEGIN has met its requirement, the program must be a success, right? Not exactly. The more important information lies in the outcomes.

The question must be asked how successful is BEGIN at moving people from welfare to work? It is this question that prompted the New York City Council to act. The New York City Council's Finance Division conducted a study of a random sample of 927 adults who were on AFDC in 1991. Half of the sample participated in BEGIN and half did not.

The study found that for the sample as a whole BEGIN did not significantly increase a participant's chances of leaving AFDC when compared to a nonparticipant; 19 percent of BEGIN participants left the AFDC rolls after 2 years, while 13 percent of nonparticipants left the rolls, hardly remarkable results.

The New York City Council concluded, and I agree, that the program model is faulty. Training programs assume there is something wrong with the supply side of the labor market. Evidence from history shows that welfare dependency is an unemployment problem which must be addressed through job creation and economic development. This is supported by the fact that women cycle

on and off welfare because they cannot find jobs with adequate wages and health care.

A recent study by the Tufts University Center on Hunger, Poverty and Nutrition Policy provides national data to support the findings of the New York City Council. Tufts concluded that the prevailing wisdom about welfare is wrong. There is virtually no causal link between welfare and single-parent families.

Tufts researchers found that contrary to popular opinion, welfare benefits have been decreasing while single-parent families and out-of-wedlock births have been increasing. Moreover, they have found that other nations provide more welfare benefits but have lower rates of out-of-wedlock births and single-parent families than the United States.

The Tufts study also reveals that single-parent families are not the primary cause of poverty but rather a number of factors contribute to poverty. They include the decline in the number of well-paying jobs and the structure of the economy which has made it difficult for both married and single parents to maintain or improve their economic status. Beyond explaining why existing anti-poverty programs are not working, we can also infer from the Tufts study that many of the current proposals to reform welfare are misguided and simply will not work, proposals like the Personal Responsibility Act, which will change food programs to block grants and eliminate aid for millions of single mothers, are a prescription for disaster.

To do this we run the risk of drastically increasing the number of hungry and homeless families. For example, if the Personal Responsibility Act were enacted today, about 349,000 New York children would be denied benefits.

What is the answer to the problem of poverty? The answer is job creation and investment in our infrastructure. We must then educate and train people for the jobs. The Progressive Caucus, of which I am a member, has a plan to change this idea into reality.

The major part of the strategy is the Job Creation and Investment in America Act. We will inject \$130 billion in the economy to create at least 1 million new jobs a year by improving our infrastructure. The bill is paid for by closing corporate tax loopholes and increasing taxes on the wealthiest Americans.

The other part of the strategy is to change the welfare system from one of despair to one of hope by educating and training poor residents for the jobs which will be created from our job creation bill. The plan will ensure that no family goes hungry, increase the minimum wage, expand the earned income tax credit, and improve our Nation's child support collection efforts.

I strongly urge my colleagues to join us as we work to find real solutions to the problem of poverty.

Thank you, Mr. Chairman.

[The prepared statement follows:]

WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES  
TESTIMONY BY CONGRESSWOMAN NYDIA VELAZQUEZ  
JANUARY 30, 1995

Good afternoon. I would like to thank the Chairman for convening this important hearing and ask unanimous consent to have a report by the Tufts University Center on Hunger, Poverty and Nutrition Policy entered into the record immediately following my testimony.

Mr. Chairman, I want to make it clear that local and national evidence demonstrates that neither current welfare programs nor many of the proposed solutions will solve the problem of poverty or increasing welfare rolls. We have wasted precious time looking for character flaws as opposed to flaws in our country's economic policy. The evidence is not there to support many of the current assumptions about families on welfare, and I would like to illustrate that point by giving you a brief overview of New York's experience with implementation of the 1988 Family Support Act and evidence from a Tufts University dispelling the myths about the causes of poverty.

In 1988 New York State developed its own plan for welfare reform in response to the Family Support Act. This plan was the Job Opportunities and Basic Service Law, which required each county to make available all of the mandatory and optional JOBS components. New York City's implementation of state and federal obligations was the Begin Employment Gain Independence Now (BEGIN) program.

The BEGIN program, coordinated by the Department of Social Services and the Human Resources Administration, offers a variety of training and educational programs, helps the clients get child care and provides transitional benefits as the client moves from welfare to work. BEGIN was required to enroll 15 percent of New York City's welfare population. To date, BEGIN has met its participation goals and will receive \$157 million Fiscal Year 1995.

At this point one could ask, what is the problem? The program sounds like a success, at least in meeting its participation rate. The problem lies in the outcomes and in the fact until now, there has been no study of the program's success in moving people from welfare to work. This prompted the Finance Division of the New York City council to act.

The study utilized a random sample of 927 adults who were on AFDC in the fall of 1991. About half of the sample participated in BEGIN and half did not. The study compared age, race, gender, primary language spoken, number of children, age of youngest child and presence of an additional adult in the household. The study found that for the sample as a whole, BEGIN did not significantly increase a participant's chances of leaving AFDC when compared to a non-participant. 19 percent of BEGIN participants left the AFDC rolls after two years, and 13 percent of non-participants left the rolls -- hardly remarkable results. The study also revealed the BEGIN program was most effective with older clients in general, younger clients with access to day care, and households with an additional adult in the household.

The New York City Council concluded that the problem with BEGIN was not the program but the model on which the program is based. It found that training programs assume something is wrong with the supply side of the labor market as opposed to the demand side of the market. The Council also reported that, in looking at other training programs around the country, the results are the same. Welfare dependency must be seen as an employment problem, which is effectively addressed by job creation and economic development.

Even beyond the problems with the program model, there are equity problems with the provision of the services. For example, the Puerto Rican Legal Defense and Education Fund has filed a class action lawsuit against the New York City and State Social Services Departments for discrimination against Latinas in welfare programs. The lawsuit arose from the failure of the New



York City JOBS program to provide literacy classes to Spanish-speaking Latinas who cannot read or write. Latinas in the program were routinely sent to short, part-time "English as a Second Language" classes which teach some basic language skills then forces them to look for a job. By contrast, English speaking welfare recipients are offered literacy, high school classes, and an array of vocational classes to prepare them for the workforce.

The findings of the New York City Council and anecdotal evidence from program participants themselves mirror those in areas around the country and support my contention that current programs and ideas are not working to change the lives of the majority of the poor.

To further illustrate, we must examine some facts about the poor population on a national scale.

Tufts University Center on Hunger, Poverty and Nutrition Policy recently released a study on the connection between single-parent families and welfare and current causes of poverty in general. The Tufts University Center concluded that "the 'prevailing wisdom' about welfare is wrong. There is virtually no causal link between welfare and single-parent families." Let's look at some of the empirical evidence.

**Welfare benefits have been decreasing while single-parent families and out-of-wedlock births have been increasing.** From 1970 to 1990, the average monthly AFDC benefit per family, when adjusted for inflation, fell by 36 percent. During the same period, the number of female-headed households increased from six million to over 11 million and the out-of-wedlock birth rate increased from 26 to 43 per 1,000 live births. Moreover, other nations provide more welfare benefits, but have lower rates of out-of-wedlock births and single parent families than the U.S.

Single parent families are not a primary cause of the growth of poverty. A 1993 Census Bureau study showed that the increase in poverty between 1969 and 1988 was due mainly to changes in labor markets and the structure of the economy, which made it difficult for both married and single parents to maintain or improve their economic status.

What are some of these changes? Tufts reports that from 1975 to 1990 the proportion of the labor force employed in goods-producing industries (historically higher-paying) fell about 23 percent. The service sector has been the primary area of job growth, with employment in service-producing industries (usually lower paying) up nearly seven percent, from 70.5 to 77.2.

Other changes include the uneven distribution of household income as a central factor in the growth of poverty. According to a 1994 Economic Report of the President, from 1977 to 1990, the share of the nation's income received by the richest five percent of Americans increased nearly 25 percent, from 18.6 to 24.5 percent. The share of income received by the poorest 20 percent of Americans fell by nearly 25 percent, from 5.7 to 4.3 percent.

Beyond explaining why existing anti-poverty programs are not working, what else can we learn from the data? I would argue that from this data we can see that many of the current proposals to reform welfare have no chance to solve the problems of the welfare population. Proposals such as letting states pay for AFDC in exchange for federal responsibility for Medicaid, changing food programs to block grants, cutting aid to young mothers and eliminating aid for mothers on welfare who give birth are a prescription for disaster. To do this, we run the risk of drastically increasing the number of hungry and homeless families. For example, if the Personal Responsibility Act were enacted today, about 349,000 New York children will be denied AFDC benefits.

What are we to do? To rescue families from the crushing burden of poverty, we must move beyond the hatemongering to creating jobs by investing in our infrastructure. We must then educate and train people for those particular jobs and change our severely regressive tax system into a more progressive one. The Progressive Caucus has plan to change these ideas into working realities for the American people.

The Progressive Caucus plan for tackling the problem of poverty in this country will be to create jobs by investing in America. The Job Creation and Investment in America Act, which authorizes \$130 billion in investment in the U.S., will create at least one million new jobs each year, upgrade our infrastructure, and pay for the jobs by closing corporate tax loopholes and increasing taxes on the wealthiest Americans. These jobs will be family-sustaining jobs, not jobs at the current minimum wage. The bill will also establish a national commission to encourage social investment of billions of pension funds to meet domestic needs in America.

The second part of the strategy is a bill to change the welfare system. The Progressive Caucus bill will provide quality education and training that is tied to jobs that pay a livable wage and provide child care and health care. It will ensure that no family goes hungry. The bill will increase the minimum wage, expand the Earned Income Tax Credit, and improve our nation's child support collection efforts.

The efforts I delineated above are the most appropriate responses to the problems facing our nation's poor. I challenge my colleagues to join the Progressive Caucus in the fight to enact our plan and to beat back those forces which would mislead the American people through inflammatory rhetoric about the "character" of the poor population. We must examine the facts and let the evidence guide the development of solutions. Again, I would like to thank the Chair for convening this hearing and for the opportunity to testify.

Mr. ENGLISH. I thank the gentlelady for her testimony.  
The Chair recognizes Hon. Karen Thurman, Member from Florida.

**STATEMENT OF HON. KAREN L. THURMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA**

Mrs. THURMAN. Thank you.

I would like to reiterate that we do appreciate the fact that you are spending your day listening to testimony and hopefully it will help us have a better understanding of the issues that we are faced with in this Congress. It is a pleasure to have this opportunity to share with the Ways and Means Committee accomplishments that have been made in moving people off welfare and into work.

It is obvious that reform is possible only through a partnership with the States. I would like to share with you the bold path that my State of Florida has struck out on to implement the Family Transition Program. This program is a federally approved demonstration of a time-limited welfare system.

The Family Transition Program gives us an opportunity to understand the issues confronting welfare families and the ability of existing JOBS Programs to help a substantial number of families stuck in the vicious cycle of welfare to achieve self-sufficiency. The purpose of the Family Transition Program is to provide short-term comprehensive services concentrated on moving participants from dependence on society, through independent self-sufficiency, and then opportunity to contribute to society. The program assists people in a number of important ways in the transition to independence.

As a part of the national move toward welfare reform, there are currently two counties in Florida participating in a study of time-limited benefits. Alachua County, which is an area that I represent, was selected as a voluntary model, and Escambia County was selected as the mandatory model. The only difference between the two is that those people in the voluntary model have up to 12 months to decide if they want to participate.

The Family Transition Program officially opened its doors on May 20, 1994. During the first year of operation, 27 percent of those eligible volunteered for the program. However, in the last months more than 50 percent of those eligible have signed up.

Those enrolled in the program are eligible to receive enhanced program benefits and services in exchange for time-limited welfare benefits. Some of the enhanced benefits include family centered case management, increased earned income disregards, increased asset limits, transitional Medicaid with reduced reporting requirements, transitional child care for up to 2 years, and additional training for up to 2 years.

Recipients are limited to 24 months of assistance in any 60-month period. In order to ensure convenient and efficient one-stop shopping, the one team concept was developed in the Alachua County model. The core of each team consists of three primary staff, an eligibility specialist, an employment and training specialist, and a case manager.

So far, the results of the program have been very promising. Three out of every four jobs placed have been in the private sector,

which is higher than the percentage in the general population. The basic principle of the program is the tradeoff between expanded benefits with intensive job training and time-limited eligibility. After 24 months benefits end.

Our experience in Alachua County has demonstrated within a very short timeframe that to achieve truly successful welfare reform, three things are vital: People need individualized intensive services to address the various barriers that prevent self-sufficiency. In addition to the obvious services such as education, training, and child care, we need to recognize and address the factors such as low self-esteem, low confidence, and weak support mechanisms played in preventing people from succeeding, and finally it must be recognized that there are no quick fix solutions.

It will take a comprehensive effort addressing fundamental issues of the welfare system, not just time limiting benefits. We must recognize that what works in an urban setting also must be totally inappropriate or could be inappropriate in rural areas, whatever changes we ultimately make, we must take these differences into account.

I want to thank the Committee for giving me this time. I know the program in Alachua County will be useful in helping to evaluate time-limited assistance programs. The working program offers a real opportunity to determine whether time-limited benefits in conjunction with intensive training and placement assistance will allow us to finally help people break the cycle of dependence.

Thank you.

[The prepared statement follows:]

STATEMENT OF CONGRESSWOMAN KAREN THURMAN  
BEFORE THE WAYS AND MEANS COMMITTEE  
WELFARE REFORM  
JANUARY 30, 1995

Thank you. It is a pleasure to have this opportunity to share with the Ways and Means Committee accomplishments that have been made in moving people off welfare and into work.

The American people want a welfare system which provides a hand up, not a hand out. They do not believe we should continue a system which provides an endless entitlement to income assistance without requiring any responsibility on the part of the recipient. However, they also believe that we should provide individuals with the assistance necessary to break the cycle of poverty and to ensure that welfare recipients are better off by working than by remaining on welfare.

Simply terminating benefits without providing assistance to help individuals enter and remain in the workplace will result in an increased burden on local governments. However, the endless cycle must end. Tough measures to force individuals off the welfare rolls after a reasonable period of time are critical in ending the culture of welfare.

It is obvious that reform is possible only through a partnership with the States. I would like to share with you the bold path that my State of Florida has struck out on, to implement the Family Transition Program. This program is a federally approved demonstration of a time-limited welfare system.

The Family Transition Program gives us an opportunity to understand the issues confronting welfare families, and the ability of existing JOBS programs to help a substantial number of families stuck in the vicious cycle of welfare to achieve self-sufficiency.

The purpose of the Family Transition program is to provide short-term comprehensive services that are concentrated on moving participants from dependence on society through independence, self-sufficiency and the opportunity to contribute to society. The program assists people in a number of important ways in the transition to independence.

As part of the national move toward welfare reform, there are currently two counties in Florida participating in a study of time limited benefits. Alachua county, which is in the District I represent, was selected as the voluntary model and Escambia was selected as the mandatory model. The only difference between the two is those in the voluntary model have up to 12 months to decide if they want to participate.

The Family Transition Program officially opened its doors on May 20, 1994. During the first year of operation, 27% of those eligible volunteered for the program. However, in the last few months, more than 50% of those eligible have signed up.

Those enrolled in the program are eligible to receive enhanced program benefits and services in exchange for time limited welfare benefits. Some of the enhanced benefits include: Family centered case management; increased earned income disregards; increased asset limits; transitional Medicaid with reduced reporting requirements; transitional child care for up to 2 years; and additional training for up to 2 years.

Recipients are limited to 24 months of assistance in any 60 month period.

In order to ensure convenient and efficient one-stop shopping, the team concept was developed in the Alachua county model. The core of each team consists of three primary staff: an eligibility specialist, an employment and training specialist, and a case manager.

So far, the results of the program have been very promising. Three out of every four jobs placed have been in the private sector, which is higher than the percentage in the general population.

The basic principle of the program is the tradeoff between expanded benefits with intensive job training and time limited eligibility. After 24 months, benefits end.

This is a massive change in how we presently operate our welfare system. To really change welfare as we know it, we must change both individuals and whole communities. We must ensure that communities understand their role in helping families make the critical transition to independence.

People have to believe that they can be successful. The cultural image of welfare must change. The program needs to return to a transitional one that helps families over a crisis. It needs to be a means to move from a difficult situation into a self-supporting, stable position. It should be the goal of everyone to help people become self-sufficient in a fixed amount of time, hopefully two years.

Our experience in Alachua County has demonstrated, within a very short time frame, that to achieve true, successful welfare reform, three things are vital.

People need individualized, intensive services to address the various barriers that prevent self-sufficiency.

In addition to the obvious services, such as education, training and child care, we need to recognize and address factors such as low self esteem, low confidence, and weak support mechanisms play in preventing people from succeeding.

Finally, it must be recognized that there are no quick-fix solutions. It will take a comprehensive effort, addressing fundamental issues of the welfare system, not just time limiting benefits. We also must recognize that what works in an urban setting might be totally inappropriate in rural areas. Whatever changes we ultimately make must take these differences into account.

Also, I caution you, when considering proposals to turn welfare into a block grant program, to reject the urge to make Elderly Nutrition Programs part of the formula. Elderly nutrition should not be part of the welfare debate and including them in a massive block grant would be a monumental mistake. It would, in the cruelest way, pit one generation against another in the fight for survival.

I thank the committee for giving me this time. I know the program in Alachua County will be useful in helping to evaluate time limited assistance programs. This working program offers a real opportunity to determine whether time limited benefits, in conjunction with intensive training and placement assistance, will allow us to finally help people break the cycle of dependence.

Mr. ENGLISH. Thank you.

The Chair thanks the gentlelady for her testimony, and we have an opportunity now for questions.

Mr. McCrery will inquire.

Mr. McCRERY. Thank you, Mr. Chairman. We had on an earlier panel today the Governor of Florida who told us a little about the Family Transition Program, and we listened then with interest as we did to your testimony this afternoon. We appreciate all of you coming and sharing with us your thoughts about this very important topic.

I think the bottom line with Governor Chiles was that we are pretty much on the same wavelength. This Committee, I think, is prepared to give to the States a great deal of flexibility to design welfare reform programs so that we will have a number of different models to look at across the Nation. I think that what we propose in the Contract With America legislation would give Florida and any other State the flexibility to put into effect what Florida has already done, and then we will see how it works, given a little experience with those various programs.

So I think that what you all have laid out today gives us some reinforcement for trusting the States to implement programs that are innovative, that are designed to help people off welfare, and eventually reduce the welfare rolls around the United States and reduce the cost of welfare in this country which I think most of us agree has become too great.

So thank you all for your testimony.

Mr. ENGLISH. Thank you, Mr. McCrery.

Mr. Levin will inquire.

Mr. LEVIN. Thank you very much, and welcome.

On the earlier panel there was a discussion of some of the subject matters that you have brought up.

Let me just ask briefly, for example, there has been some discussion about proposals to prohibit a cash payment for young mothers 18 and under. The suggestion has been that that mandate prohibiting payment would begin in the future, would not cover those who are already on welfare, and that that would amount to 4 to 5 percent of the people who come on welfare. The figures aren't very clear.

Congresswoman Velázquez, you touch on that in your testimony. We are really looking to find some common ground here and not just contention, but if you would, give us your reaction to the proposals, including the one in the Contract With America that would eliminate cash payments for young mothers where there is a child born out of wedlock. Explain if you would, comment, give us your feelings on that.

Ms. VELAZQUEZ. That would be to eliminate cash payment and leaving the other provisions intact?

Mr. LEVIN. Leaving, for example, food stamps in place and housing benefits, but eliminating—

Ms. VELAZQUEZ. What is the logic behind eliminating cash payments to single mothers?

Mr. LEVIN. What is the reason given?

Ms. VELAZQUEZ. Yes.



Mr. LEVIN. It is not my proposal, but the reason that is given is that it might diminish the number of births out of wedlock.

Ms. VELAZQUEZ. As I mentioned in my testimony, we found that in other countries women and welfare recipients are receiving higher welfare benefits, and they have a lower birth rate in terms of out-of-wedlock birth. I don't think that one thing has any relationship to do with the fact that that will increase an attitude to have more teenage pregnancy in this country.

Mr. LEVIN. It is going to be one of the major issues discussed before the Subcommittee. I think also the testimony from the Governor of Florida this morning referred to the issue of the comprehensiveness of the efforts, and Congresswoman Thurman, your testimony really reinforces that, where you say there are no quick fix solutions. Why do you say that?

Mrs. THURMAN. Well, I think that, Mr. Levin, we have to take into account the three things that I talked about, or what are essential in addressing these issues. The issue that we had to look at—individualized intensive services to address various problems—preventing self-sufficiency for example, the experience they found most positive was in the addition of services such as education, training, and child care, and recognizing and addressing factors such as low esteem, low confidence and weak support mechanisms. I think that one of the things they also found in talking with people is the importance of responsibility within our communities. There are no quick fixes to these problems. There are some problems each one of these programs are going to have to deal with.

Some we will be able to do very quickly because we may be able to move them from that dependency to independency. There are others that I believe are going to take a longer period of time, depending on what their situation is.

Mr. LEVIN. Thank you. My time is up.

Mr. CAMP [presiding]. Thank you, and I want to thank the panel. There are no further questions.

We will now move to panel six, Hon. Sheila Jackson-Lee of Texas, Hon. Toby Roth of Wisconsin, Hon. Bill Orton of Utah, Hon. Peter Blute of Massachusetts, and Hon. Howard Coble of North Carolina.

I want to welcome the panel. We are ready to begin.

Why don't we start with Hon. Sheila Jackson-Lee.

#### **STATEMENT OF HON. SHEILA JACKSON-LEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Ms. JACKSON-LEE. Thank you, Mr. Chairman. I would appreciate it if I could submit my remarks for the record.

Mr. CAMP. Yes, you may.

Ms. JACKSON-LEE. Thank you very much.

[No prepared statement had been received at the time of printing.]

Ms. JACKSON-LEE. I do appreciate the opportunity, albeit I have to move very quickly, to discuss this very important issue on welfare reform because fixing a broken welfare system is one of the most significant challenges this Congress will face. While I am not a Member of this Committee, I am well aware of the fact that much of the final welfare reform package will be a result of this

Committee's hard work, and, therefore, I am here today to tell you that I am eager to work with you and your colleagues in a bipartisan fashion as welfare reform proposals are crafted.

I am a newly elected Member of Congress and, as such, I come to Washington with a background in city government. As a former council member and former vice chair of the National League of Cities Task Force on Federal Policy and Family Poverty, I am intimately familiar with the effects that Federal policies have on cities and States as they grapple with the problem of poverty.

Let me just say to you that, on this task force that I chaired in 1993, the early part of January, we had several principles. The principles are as follows: Work should be available; welfare is in fact a failure and should be fundamentally transformed; work should pay; working more should pay more; child care should be available; health care should be available; child support should be absolute; marriage should be rewarded and Federal policy should be assessed in terms of the effects on work and family, especially poor families.

I am deeply concerned that sweeping budget and block grant proposals before the new Congress will have devastating long-term consequences for our children. As you know, Mr. Chairman, welfare reform is fundamentally a children's issue since two-thirds of recipients are children, 70 percent in Texas. In my district alone, 51,957 children are living in poverty with 35 percent of these children being under the age of 18 years. In fact, of all 435 districts, my district ranks 30th with respect to the number of poor children.

I have a deep and abiding interest in welfare reform. Proposals that would convert welfare, AFDC, food stamps, SSI disability or other survival programs for children and families into block grants to States would strip these programs of their entitlement status and thereby strip State and local governments of their abilities to respond to the increasing need.

In entitlement programs, more Federal money flows into cities through AFDC, food stamps, and SSI disability programs. This automatic influx of Federal dollars designed to meet the increased needs of communities would cease under the block grant format. It would certainly leave our cities, States, and counties responsible and vulnerable as caseloads increase.

The Department of Health and Human Services have found that these proposals, if implemented today, would deny benefits to 5 million children. Interestingly enough, while the Personal Responsibility Act suggests orphanages and foster homes as the solution to families that cannot care for their children, it does not provide adequate funding for these facilities.

Under this act, of the 541,000 children who are currently receiving AFDC benefits in Texas, 288,000 would be denied benefits and only 310 Federal orphanage slots would be funded. And so, as we look at the act, this would cause a decrease in funding of USDA food assistance in Texas by over \$1 billion a year. And certainly, as we look at Texas, nearly 72 percent of AFDC families have only one or two children. It does not follow the line of thought that cutting off these benefits would decrease the number of children.

The national average of families on AFDC with one or two children is even higher, approximately 73 percent. Others claim that

most poor people are not and that they choose not to be employed; I think otherwise. First of all, we find that many of our military personnel need AFDC or food stamp support.

A majority of poor Americans, four out of five are children, elderly, ill or disabled or are individuals that are already working full time. More than 7 million Americans from all walks of life were out of work and actively looking for jobs at the end of 1994 and another 4.8 million were working part time because they could not find full-time jobs.

As a matter of fact, adults, particularly heads of households, do want to work. However, as in the children's game of musical chairs, there are simply not enough seats for everyone.

An effective welfare reform must include new investments for the creation of jobs. We must look at the expansion of the earned income tax credit that many of our families are not knowledgeable about. We must look for health care. We must look to determine whether we have child care that is needed when we find that 42 percent of our families find that child care takes up a lot of their income in comparison to well-to-do families.

It is important, Mr. Chairman, that we emphasize that families and children need to have dollars to continue to assist them. The Federal block grants may run out and children may be abused as well as neglected without these services.

As I bring my remarks to a close, Mr. Chairman, let me add that genuine reform would be lifting poor children and their families out of poverty by creating real jobs for them, providing quality child care, good health care, education, training, and strengthening child support enforcement. We must take the tough, and sometimes costly, and necessary steps to make the system work in the long term for poor families and for all Americans.

Mr. CAMP. Thank you very much. I should have mentioned that all your testimony, your written testimony will be made part of the record.

Ms. JACKSON-LEE. I appreciate that, Mr. Chairman, and I am open to questions.

Mr. CAMP. What I will do is we will take testimony from all of the witnesses and then I will open it up to questions, so if Hon. Bill Orton would like to proceed.

#### **STATEMENT OF HON. BILL ORTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH**

Mr. ORTON. Thank you very much, Mr. Chairman. I also have submitted to the Chair my written testimony. Let me just summarize.

Obviously, as we look at welfare reform, I think we all realize that a one-size-fits-all approach is not going to work. Many States have been, and are continuing to operate demonstration programs. They are finding real solutions to the welfare reform issues which we are just beginning to talk about.

My State is one of those with a demonstration program. They, for the last 2 years, have been operating the Single Parent Employment Demonstration Program, which is based upon the creation of a self-sufficiency plan. Rather than the individual just receiving welfare benefits, food stamps and so on from the beginning day on

which they enter the office, they sit down with a caseworker who is not just following regulations, but is specifically helping that person to identify what needs to be done to become self-sufficient, to get a job.

It includes any variety of training. It tries to coordinate Federal job training and State job training plans, but oftentimes it is as simple as someone who does not even know how to find the job opportunities that exist, or how to interview in jobs, prepare a resume, or dress for the interview. The Single Parent Employment Demonstration Program is designed to help those participants establish a plan for themselves that gets them to self-sufficiency, and the program is working.

Over the last 2 years, they have cut AFDC costs by over 33 percent in this plan at the Kearns site. This reduction was achieved not by putting people off the program, but by getting them into real jobs existing currently in the job market. The program does not create new jobs, public service jobs for them, but gets them into the job market.

I introduced the Self-Sufficiency Act in the last session of Congress based on this program, and I am reintroducing it today in this Congress. It has been expanded to include some of the programs in the Chairman's State, Michigan.

Our State had to get 44 waivers in order to put this program into place. Your State and others have been doing the same thing. This self-sufficiency plan is designed to allow States the flexibility to do what our States have been doing that has worked. It does give them guidelines.

I am concerned also, by the way, with the basic block grant approach. While I agree that States should have more flexibility and more responsibility, I am concerned that if we immediately take 300-and-some-odd programs and consolidate them into a few block grants and just handout the money to the States, they are not in a position to even be able to administer those kinds of programs. And so whether we ultimately go to block granting or do not go to block granting, this type of a program ought to be implemented immediately to allow States the flexibility to do what works.

I would be happy during question time to talk about specific provisions in this plan, about options the State has, and so forth, but the basic concept of this self-sufficiency plan is that it gives the State the flexibility and the responsibility and the authority to make decisions, but to work directly with each beneficiary to create their own self-sufficiency plan. If people refused to enter a self-sufficiency plan or refused to follow their self-sufficiency plan, they are phased out of welfare benefits.

The States have an incentive in that they can retain a portion of the cost savings from AFDC grants as a result of these plans so that they can use that to expand their programs. It also provides for cost sharing for such things as child care benefits, which are so critical to people who are actually out getting a job rather than staying at home receiving welfare benefits.

And so the whole focus of this is jobs and work.

It is preparing the people to be able to go out and get that job and then helping them actually get it. Then, very critically, it provides for transitioning while participants have that job, helping them with health care and child care and so forth until they become totally self-sufficient under their self-sufficiency plan. This is something that works. We ought to make it available to all of the States. I thank you very much.

[The prepared statement follows:]

**STATEMENT of REP. BILL ORTON**  
 The Committee on Ways and Means  
 Subcommittee on Human Resources  
 January 30, 1995

MR. CHAIRMAN, Mr. Ford, thank you for allowing me to testify before the subcommittee today regarding welfare reform.

I am pleased that Congress has committed to reform the welfare system this session. I also firmly believe that Congress should base the welfare debate on approaches to reform that have already proven successful. Congress would be foolish to impose a new one-size-fits-all structure on states rather than allowing states to continue pursuing successful systems of reform.

Many states are currently running welfare demonstration programs that address the unique challenges of poverty in their area. They have already grappled with many of the questions we are addressing today, and they have begun to find what works and what does not work.

During the last session of Congress, I introduced The Self-Sufficiency Act. This bill was based upon the success of the Single Parent Employment Demonstration Program in Utah. Under this program, the AFDC caseload in the Kearns demonstration area decreased by 33 % in just two years. The best part about that statistic is that the decrease in the number of participants was due to success in assisting people in finding jobs that exist in the labor market.

Today, I am re-introducing the Self-Sufficiency Act, incorporating important changes that further expand state flexibility, and allow other states to continue running, or newly construct, their own reform efforts without the burden of federal red tape.

Although states choose to create unique welfare systems under this bill, the common principle binding the self-sufficiency approach is work. Under this approach, participants must negotiate a self-sufficiency plan with an employment goal. Each individual begins working toward self-sufficiency immediately. In just ten years, all AFDC recipients in participating states would be working toward self-sufficiency.

The Self-Sufficiency Act outlines a common sense approach to welfare that provides assistance to participants who are working toward self-sufficiency, promotes work, and gradually phases out benefits to those who have chosen not to participate in a self-sufficiency plan.

This is the only way I know to create a program based on work without getting the federal government into the costly endeavor of guaranteeing jobs, or without cutting off much needed assistance to families playing by the rules. The simple fact is that we cannot always ensure that there will be a job available for everyone who wants one, but we can ensure that everyone receiving assistance is doing all they can to become self-sufficient.

I know that there are a wide array of approaches to welfare reform being considered by this committee. Many of the approaches that have received the most attention recently revolve around the concept of consolidating large numbers of federal social programs into state block grants.

I favor the increase in state flexibility that this kind of approach outlines. Ultimately, I support providing states with control over these programs.

However, I also believe that transferring the management of these programs to states should be a gradual process in order to provide states with adequate time to prepare for assuming the increased responsibilities created under the block grant approach. In my view, the Federal government should help facilitate state action with technical and resource

assistance. My bill, The Self-Sufficiency Act, would help provide a transition for states to assume this control and responsibility by opening the doors to welfare reform.

I am also wary of the scale of the block grant proposal. Under this scenario, funding for a program such as Head Start, that has enjoyed wide bipartisan support and proven very effective in providing preschool education to disadvantaged children, would be lumped together with other less effective program funding for no apparent reason.

I believe Congress should pursue thoughtful consolidation: consolidation of duplicative programs, elimination of ineffective programs, and improvement of existing programs. We in Congress should take the same care in dismantling programs as we would if each of our own children benefitted from them. Unfortunately, large scale reforms such as these take time to ensure that taxpayer dollars are being spent wisely.

I believe that the Self-Sufficiency Act expands state options while maintaining accountability for federal tax dollars. The Single Parent Employment Demonstration Program that I mentioned earlier required 44 federal government waivers. Under the Self-Sufficiency Act, this welfare reform model and others would be immediately available to the states.

For me it is simple: we should create a system based on work. If a participant is doing everything they can to become self-sufficient, they continue to receive benefits. If they choose not to work toward self-sufficiency, their benefits are eliminated. Within this context, states should be free to create a system that reflects the needs of their populace. This type of approach is based on common sense, compassion, and responsibility. It also takes into account the lack of predictability of the economy.

I am honored to have the opportunity to share my views on welfare reform. Thank you for your time, I will gladly answer any questions you have regarding the Self-Sufficiency Act.

Mr. CAMP. Thank you very much.  
Hon. Peter Blute.

**STATEMENT OF HON. PETER BLUTE, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. BLUTE. Thank you very much, Mr. Chairman.

Mr. Chairman, let me start with a reference to a popular—to popular culture which I believe gets to the heart of what I am trying to do with this legislation. Many of you probably saw the movie “The Fugitive” starring Harrison Ford. In that movie you will recall that Harrison Ford’s character goes to his friend for money when he is running from the law.

Now, there are a lot of things that were not believable in that movie, but if the director had written into the movie that Harrison Ford had not received the money from his friend to finance his flight but from the local welfare agency, the viewer truly would have been shocked. But last year, I came to find out that truth is indeed stranger than fiction because in the real world, fugitives do in fact go to the taxpayers to subsidize their life on the lam. This is because of bad Federal policy which must be updated.

In 1994, I worked with the Ranking Member of this Subcommittee, Representative Rick Santorum, now Senator Santorum, and the Chairman to introduce H.R. 4657 which sought to cut off welfare for felons on the lam and facilitate information sharing between law enforcement officials and social service agencies. This year, I have introduced the same legislation in the House as part of the effort to fight welfare abuse. Today I present it to the Subcommittee and request its inclusion in the Personal Responsibility Act.

Providing criminals with taxpayer money is in itself criminal. H.R. 118, the Fugitive Felon Welfare Elimination Act would change all that. Simply put, the bill would do two things. First, it will define fugitive felon and cut off benefits to those who fit the definition.

Second, it will force Federal agencies to share certain information when law enforcement agencies request, enabling them to better track down fugitives.

I have with me today a letter from the Social Security Administration in Massachusetts, Sheila Hubbard who is the chairwoman of the parole board in my State. The letter demonstrates that the Social Security Administration was unable to provide information to the parole board regarding the whereabouts of a felon convicted for the crime of accessory after the fact of first degree murder. This is an example of the burden that law enforcement now faces because it can’t get any help from Federal agencies who know where many fugitives live by nature of the fact that they send a check there every month.

This bill, H.R. 118, would end that scenario by requiring the social service agencies that administer SSI, food stamps, housing allowances, Medicaid, and AFDC to turn off the spigot of free money if an individual is a fugitive felon.

Under the current law, a person is eligible for welfare benefits until he or she is incarcerated. After being released, he or she is eligible again and the benefits cannot be turned off if the person



has violated parole or probation. The result is a situation where the taxpayers are often financing criminal activity.

Mr. Chairman, I will submit the remainder of my statement for the record, in the interest of time. I know you have other witnesses, but I would ask that this important piece of legislation that would enhance our ability to crack down on welfare fraud, to bring to justice those who are now fugitives, be included in the Personal Responsibility Act.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Testimony of Congressman Peter Blute  
 Subcommittee on Human Resources  
 January 30, 1995

Thank you Mr. Chairman. Let me start with a reference to popular culture which I believe gets to the heart of what I am trying to do with this legislation. Many of you probably saw the movie "The Fugitive", starring Harrison Ford. In that movie, you'll recall that Harrison Ford's character goes to his friend for money when he is running from the law. Now there were a lot of things that were not believable in the movie--the several hundred foot leap from the top of a dam which Harrison Ford survives comes to mind. But if the director had written into the movie that Harrison Ford had not received money from his friend to finance his flight, but from the local welfare agency, the viewer truly would have been shocked.

But last year I came to find out that truth is indeed stranger than fiction. Because in the real world, fugitives do in fact go to the taxpayers to subsidize their life on the lam. This is because of bad federal policy which must be updated.

In 1994, I worked with the Ranking Member of this Subcommittee, Rick Santorum to introduce H.R. 4657 which sought to cut off welfare for felons on the lam and facilitate information sharing between law enforcement officials and social service agencies. This year I have introduced the same legislation in the House as part of the effort to fight welfare abuse. Today, I present it to the Subcommittee and request its inclusion in the "Personal Responsibility Act".

Providing criminals with taxpayer money is in itself criminal. H.R. 118, the "Fugitive Felon Welfare Elimination Act" would change all that. Simply put, my bill would do two things. First, it will define "fugitive felon" and cut off benefits to those who fit the definition. Secondly, it will force federal agencies to share certain information with law enforcement agencies who request it, enabling them to better track down fugitives.

I have with me today a letter from the Social Security Administration in Massachusetts to Sheila Hubbard who is Chairwoman of the Parole Board in my state, which I will submit for the record. The letter demonstrates the Social Security Administration's inability to provide information to the Parole Board regarding the whereabouts of a felon convicted for the crime of "Accessory after the fact of 1st Degree Murder". This is an example of how the burden that law enforcement now faces because it can't get any help from federal agencies who know where many fugitives live by nature of the fact that they send a check there every month.

My bill, H.R. 118 would end that scenario by requiring the social service agencies that administer SSI, Food Stamps, Housing allowances, Medicaid and AFDC to turn off the spigot of free money if an individual is a fugitive felon.

Under current law, a person is eligible for welfare benefits until he or she is incarcerated. After being released he or she is eligible again and the benefits cannot be turned off if the person has violated parole or probation. The result is a situation where the taxpayers are often financing criminal activity.

The problem is the result of unclear language in Federal law. This legislation would rectify that problem by defining a "fugitive felon" as an individual who is fleeing to avoid prosecution, custody or confinement after conviction; or an individual violating a condition of probation or parole. Anyone falling under this definition will not be eligible for Federal welfare benefits.

You may ask if this is a large enough problem to warrant federal action. As an example let me sight Cuyahoga County, Ohio where local police offered part of the winnings from a class action suit to a list of felons they considered fugitives. Of the criminals that responded, 30% were collecting welfare. In the nation as a whole, there are about 357,000 fugitive warrants on file at the National Crime Information Center at any one time. So, if 30% of this total is collecting an average welfare benefit package of \$300 monthly, it means the taxpayers could be shelling out almost \$400 million annually.

Two other aspects of this legislation I would like to speak to briefly include provisions that define "temporarily absent", and require social service agencies to share information with the Immigration and Naturalization Service.

Current law allows the parent of a child temporarily away from the home to continue to receive the welfare benefits for that child. This means that if a child has been sent to a youth detention center for a period of time, the taxpayers are paying twice for that child. They pay for the care of that child as well as the continuing payments to the parent. H.R. 118 would amend the Social Security Act by defining "temporarily absent" as being absent from the home for a period of at least 45 consecutive days. However, the States have the option of adjusting this to between 30 and 90.

In addition, H.R. 118 would correct a problem resulting from loopholes in the law protecting the privacy of individuals. Often, illegal aliens arrive in this country and apply for welfare using fraudulent documents. Once the benefits are turned on, social service agencies will not share information on those individuals even though they are known to be in this country illegally. Therefore, illegal aliens can flaunt the system knowing that the address where they receive their checks will not be disclosed to the INS. My legislation would change that by requiring that social service agencies furnish the INS with the names and addresses of anyone they know is an illegal alien.

We have got to stop making crime pay and H.R. 118 would take us a step closer to a smaller, cheaper welfare system that benefits those who really need it. This legislation has been endorsed by the National Association of Chiefs of Police and the Fraternal Order of Police. In addition, the American Civil Liberties Union has thoroughly reviewed it and does not consider it an intrusion on individuals' privacy.

Thank you for allowing me to testify here today. I hope you will decide to include H.R. 118 as part of the welfare overhaul we will deliver to the American people.

Mr. CAMP. Thank you very much.  
Hon. Howard Coble.

**STATEMENT OF HON. HOWARD COBLE, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF NORTH CAROLINA**

Mr. COBLE. Mr. Chairman, I thank you and Members of the Subcommittee. I am pleased to be before you this afternoon to testify regarding welfare reform, specifically the need to further improve the matter of paternity establishment.

The advantages of establishing paternity are obvious. We need fathers to take responsibilities for their children born out of wedlock. Families who receive child support are much less likely to live in poverty or to require AFDC benefits than those who do not. Paternity establishment is the essential first step in getting the court to award child support.

The Personal Responsibility Act recognizes that real welfare reform demands a more effective partnership between the Federal Government and the States to establish paternity for children who are indeed born out of wedlock. H.R. 4 would increase a State's paternity establishment and performance standard from 75 to 90 percent depending upon what sort of track record they have had. The measure would also require mothers applying for welfare to establish paternity or forfeit AFDC benefits. Furthermore, the bill recommends that States establish earlier or prior methods for identifying the father.

I would like to recommend, Mr. Chairman, and Members, five additional items to improve the legislative goal of increasing State paternity establishment performance. First, require each State to exercise due diligence in establishing paternity prior to denying welfare benefits to a dependent child.

While there are provisions in this bill that promote paternity establishment, the current draft of the bill under section 101 may inadvertently create an incentive for poor paternity establishment performance. Under this provision, States could avoid paying their portion of the child's AFDC grant in those cases where paternity is not established.

Examples of State due diligence at establishing paternity would include the following: Every State should be required to inform both the mother and the alleged fathers that aid will be denied to the child if paternity is not established. Furthermore, each State would be required to inform both mother and the alleged fathers of the availability of genetic testing. Upon a sworn statement of a party claiming the requisite sexual contact in a contested paternity case, the appropriate official should issue either an administrative or a court order to require genetic testing unless the State makes a determination that issuance of such an order would be unreasonable.

Finally, every alleged father should be apprised of his right to voluntary acknowledgment of paternity by signing an affidavit. A further explanation of this proposal is contained, Mr. Chairman, in the longer version of the testimony that I will submit for insertion into the record.

Second, I would like to recommend that the State agencies be given the authority without necessity of obtaining an order from

any other judicial or administrative tribunal, but subject, of course, to due process safeguards, to order genetic testing for the purpose of paternity establishment and to collect costs for such a test from the affected parties. Most State agencies have to go through the judicial process twice for court orders: First, for genetic testing, and subsequently for payment of such tests. This proposal should lead to administrative savings.

Third, States should contact for paternity testing only with laboratories that are accredited by the American Association of Blood Banks or an equivalent national accrediting body. Given that the results of genetic testing can establish or exclude an alleged father's responsibility to a child, it is imperative that laboratories which engage in paternity testing be held to this high standard of quality.

Presently there are laboratories performing paternity testing under State contracts that do not meet present day accreditation standards. The American Association of Blood Banks endorses the proposal.

Fourth, the child support enforcement agencies should adopt a standardized format for the reporting of paternity testing to the courts. Under the present system, I am advised that paternity testing labs may be required to format their reports based upon individual preferences of State court judges. Uniformity in this matter would reduce unnecessary increased cost of testing.

Fifth, incentive payments from the Federal Government under 42 U.S.C. 658 should be earmarked back to the State child support enforcement programs in lieu of the general State treasury accounts. This would give State agencies a greater incentive to reach paternity establishment targets.

Finally, Mr. Chairman, the Human Identity Testing Association, an organization that represents most of the companies that are involved in DNA testing in the United States, supports these five proposals.

I know that in the coming weeks you all on the Subcommittee will be considering alternative proposals for the welfare crisis. I believe that these ideas that I have shared with you today are important additions to your reform efforts.

I thank you, Mr. Chairman, and Members of the Subcommittee.  
[The prepared statement follows:]

STATEMENT OF THE HONORABLE HOWARD COBLE  
CONGRESSMAN FOR NORTH CAROLINA (6TH DISTRICT)

Subcommittee on Human Resources  
House Ways and Means Committee  
January 30, 1995

Good afternoon, Chairman Shaw and members of the Subcommittee. I am pleased to have this opportunity to testify about welfare reform -- especially the need to improve paternity identification procedures.

As all of us are aware, the percentage of children born out-of-wedlock continues to increase. Presently, more than 30% of births in the United States occur outside of marriage. In 1991, over 1.2 million children were born to unmarried mothers -- an 82% increase since 1980.

Congress created the Child Support Enforcement Program through enactment of Title IV-D of the Social Security Act of 1975. This law provides federal matching funds to enforce the support obligations owed by a noncustodial parent to his children and the custodial parent. Title IV-D also assists local officials in their efforts to locate absent parents and establish paternity.

Under the IV-D program in fiscal year 1993, paternity was not established in 55% of the births to unmarried women. Only two states met the federal paternity establishment performance standard of 75%; 13 states were below 40%. Most importantly, paternity establishment is lacking in 3.4 million cases under this program.

The advantages of establishing paternity are great. We need fathers to take responsibility for their children born out-of-wedlock. Families who receive child support are much less likely to live in poverty or to require AFDC benefits than those who do not. Paternity establishment is the essential first step in getting a court to award child support. In addition, establishing paternity can provide social, psychological, and emotional benefits to a child.

Pursuant to Title IV-D, Congress requires states to create child support enforcement agencies and to provide paternity establishment services. The Child Support Enforcement Amendments of 1984 also requires states to defer paternity identification until a child's 18th birthday. Further, the Family Support Act of 1988 contains several provisions to improve state paternity establishment performance, including the development of a paternity performance standard, time frames for case processing, federal funding for genetic testing, and a mandate that states compel parties in contested cases to submit to genetic testing.

Most recently, under the Omnibus Budget Reconciliation Act of 1993 (OBRA93), states are required to: develop expedited processes for establishing paternity in contested cases; simplify the civil process for voluntary acknowledgment of paternity; and give full faith and credit to the determinations of paternity made by other states. OBRA93 created an even more stringent paternity establishment performance standard for states.

Partly as a result of these federal efforts, the number of paternities established each year by the IV-D program has increased substantially, from about 270,000 in fiscal year 1987 to more than 554,000 in fiscal year 1993 -- an increase of 100% in just six years. But there is no question that we can -- and must -- do better.

The Personal Responsibility Act recognizes that real welfare reform demands a more effective and productive partnership between the federal government and the states to establish paternity for children who are born out-of-wedlock. The bill would require states to establish paternity for 90% of their welfare cases. States that fail to meet this standard must increase their paternity establishment rates by six or 10 percent, depending on their paternity establishment performance from the preceding year. The bill would also require mothers applying for welfare to establish paternity or forfeit AFDC benefits.

I should note, however, that these paternity establishment standards do not constitute an unfunded mandate, because meeting these standards is not

mandatory. Instead, federal penalties act as an incentive for states to improve their paternity establishment performance.

I would like to recommend to this subcommittee five additional items to improve the legislative goal of increasing state paternity establishment performance. First, require each state to exercise "due diligence" in establishing paternity before denying welfare benefits to a dependent child. While there are provisions in this bill that promote paternity establishment, the current draft, under Section 101, inadvertently creates an incentive for poor paternity establishment performance. Under this provision, states can avoid paying their portion of the child's AFDC grant in those cases which paternity is not established.

Let me provide an example. In 1993 (the most recent year for which data are available), there were a handful of states that established paternity in less than 10% of the out-of-wedlock births. If these states are permitted to deny benefits to out-of-wedlock children whose paternity is not established, a substantial number of out-of-wedlock children born in these states would be denied benefits. These states would have no incentive to establish paternity, since increasing paternity would also increase their financial obligation under AFDC.

Examples of state "due diligence" in establishing paternity would include the following: Every state should inform both the mother and the alleged father(s) that aid will be denied to the child if paternity is not established. In addition, each state should notify both the mother and the alleged father(s) of the availability of genetic testing. Upon a sworn statement of a party claiming the requisite sexual contact in a contested paternity case, the appropriate official should issue either an administrative or court order to require genetic testing, unless the state makes a determination that issuance of such an order would be unreasonable. Finally, every alleged father should be apprised of his right to voluntary acknowledgment of paternity by signing an affidavit.

Second, I would like to recommend that state agencies be given the authority, without necessity of obtaining an order from any other judicial or administrative tribunal (but subject to due process safeguards), to order genetic testing for the purpose of paternity establishment and to collect costs for such tests from the parties. Genetic testing is recognized by all leading authorities in the field as being extremely reliable for either establishing or excluding paternity.

Under the present system, most state agencies must proceed through the judicial process twice for court orders: first for genetic testing, and subsequently for payment of such tests. This proposal should therefore lead to administrative savings.

Third, states should contract for paternity testing only with laboratories that are accredited by the American Association of Blood Banks or an equivalent national accrediting body. Given that the results of genetic testing can establish or exclude an alleged father's responsibility to a child, it is imperative that laboratories which engage in paternity testing be held to a high standard of quality. Currently, there are laboratories doing paternity testing under state contracts that do not meet present-day accreditation standards. This proposal has been endorsed by the American Association of Blood Banks.

Fourth, the Child Support Enforcement Agency should adopt established standards for the reporting of paternity testing to courts. Under the present system, paternity testing laboratories may be required to format their reports based on individual preferences of state court judges. This unnecessarily increases the cost of testing.

And fifth, incentive payments from the federal government under 42 U.S.C. 658 should be earmarked back to the state child support enforcement programs, thereby offering greater incentive for these agencies to reach paternity establishment targets.

The thrust of each of these proposals is supported by the Human Identity Trade Association, an organization that represents most of the companies that are involved in DNA identity testing in the United States.

I know that in the coming weeks the subcommittee will be considering alternative proposals to the welfare crisis. I believe that the ideas I have outlined here today are important additions to your reform efforts. Illegitimacy is a great problem for our society; we need to do whatever we can as a government to establish paternity for those children born out-of-wedlock so that their fathers will take personal and financial responsibility for them. Thank you again for your time and consideration, Mr. Chairman and members of the subcommittee.



Mr. CAMP. Thank you very much. And I thank you all for your testimony.

At this time, Mr. McCrery may inquire.

Mr. MCCRERY. Thank you, Mr. Chairman. Just quickly, Mr. Coble, as you know, there is not an extensive section in the Contract bill on paternity establishment and deadbeat dads so to speak, but we—the Chairman has stated—Mr. Shaw has stated that we do plan to add that in the course of this Subcommittee's deliberations, so we certainly thank you for giving us some concrete suggestions to include in that section.

With respect to Ms. Jackson-Lee's comments, I just want to make sure that everyone understands that the proposal that is in the Contract and that this Subcommittee is looking at is not exactly a proposal yet before the Committee, but we are looking at it, those provisions are prospective only.

We would not take any families off of AFDC that are currently on AFDC under the old rules, so some of the numbers that Ms. Jackson-Lee cited as far as how many children might not be getting cash benefits under the proposal are speculative at best. They are based on 1994 data, I believe, or maybe 1993 data. We are expecting, of course, the changes that we make in the welfare system, whatever they end up being, to have an impact on behavior. So we hope those numbers won't be as great as the numbers in 1993 or 1994. But I want to make it clear that it is prospective only.

In addition, I just want to say that whatever comes out of this Committee, I think will give each of your States a very great deal of flexibility to formulate a welfare reform plan that matches your particular State's population and your particular problems and needs. And based on some of the testimony we have heard from you all as well as other panelists today, it sounds as if we are headed in the right direction. There are a lot of good things going on out there in the States because of waivers and a lot of other proposals from the States that look to be very promising.

So I appreciate very much all of you sharing with us your thoughts and look forward to working with each of you as we deliberate. And I hope this session finally determines a welfare reform plan.

Thank you.

Ms. JACKSON-LEE. Mr. Chairman, might I respond just for a moment?

Mr. MCCRERY. Yes.

Ms. JACKSON-LEE. I thank the gentleman for his comments and his appreciation of those numbers. If I might just expand on that thought I think I would like to emphasize that the philosophy behind the Contract may prospectively stymie the tide of welfare recipients. Those seeking welfare may not be completely accurate inasmuch as most welfare recipients only have one or two children.

I think it is important in the deliberations, and I am sure this Committee has done so under the able leadership of Mr. Shaw, that we ask welfare recipients today to be actively involved in the process.

For our Task Force on the National League of Cities—and I think cities are very close to people's needs because they come every day to city hall seeking help—we looked at the issue and

found that in large numbers, welfare recipients yesterday, today, and tomorrow want to work, in large numbers they want to get a GED certificate so they can work. In large numbers, they want to be assured that they have child care and health care. And if you ask the welfare recipients, I think that you will see them moving in the direction of trying to solve the problem of welfare dependency.

And then last, let me say that we found as cities that we would like to reaffirm marriage or relationships so that the male would not have to leave the home in order to receive some sort of help for his family.

Mr. McCRERY. Thank you. And I just want to add that also everyone should know that when we are talking about denying welfare benefits to certain classifications of current recipients, we are only talking about the cash benefits under AFDC and housing subsidies. They would continue to get health care and food stamps, among other benefits that are available to them.

Mr. COBLE. Mr. Chairman, may I be heard for 1 minute?

I know you all have other things to do but I just wanted to add this. I commend you all, Chairman Shaw and you all, for emphasizing the importance of personal accountability. I think this is an area that needs to be addressed in detail.

Four or five weeks ago, I saw two girls being interviewed on television. Now, they were either 13 and 14 or 14 and 15. Each girl was unmarried; each child was a mother, and they were laughing about it. It was a big joke.

And that—and I am not suggesting that this is the rule of thumb, but I am afraid that that sort of attitude probably prevails more than it should. And I think that is a good example of no personal accountability, and I think you all are addressing that area of living and I commend you for it.

Thank you, Mr. Chairman.

Mr. McCRERY. Thank you, Mr. Chairman.

Mr. CAMP. Mr. Collins may inquire.

Mr. COLLINS. Thank you, Mr. Chairman. I won't take but just 1 minute.

I am glad to see the number of colleagues that we have who have come before the Committee today to testify and to bring their two cents' worth to the Committee because it is very valuable. We all have the same goal, and that is to address the out-of-control welfare system that we have today. We want to address it in a way that encourages family, encourages self-responsibility.

But I think when you look at the program and when you inquire in your district about the program and about other programs that we are addressing in the Contract With America, it becomes very apparent to those people that you are talking with that if we don't address these types of runaway programs, all programs that the Federal Government has for the people of this country are in trouble.

We just don't have enough money to keep doling it out and doling it out. So we appreciate each of you being with us today and your testimony.

Thank you, Mr. Chairman.

Mr. CAMP. Thank you.

I just have a couple questions.

Mr. Blute, I appreciate your efforts in regard to the fact that there are fugitives receiving welfare benefits, and if I understand your testimony, it is because there are confidentiality laws that prevent the local caseworker or DSS or social services worker of letting the law enforcement people know the whereabouts of the fugitive?

Mr. BLUTE. That is right, Mr. Chairman. Privacy concerns in the past have prevented law enforcement from ascertaining if individuals who were receiving some form of assistance are indeed felons in flight from justice, and this legislation would require an information sharing that I believe would not violate the generalized principle of privacy for those who are receiving benefits, but would allow law enforcement to get an address of someone who is receiving a check who is a felon.

Mr. CAMP. Thank you.

Mr. Orton, the program, the demonstration program you described, is that one that—are there any requirements that individuals participate—recipients participate?

Mr. ORTON. Right now, it is a mandatory program in just two regions of the State. The State selected two small areas and put the people in those areas on this particular program.

They are required to participate in that program because that is the way they get their benefits. However, what they are finding is the people in the surrounding areas—now, in order to have a demonstration program, they selected a portion to be on the program, a portion not to be on the program.

They are now finding that all of the people who are not on the program are asking to be on the program because the program itself is successfully putting people back out into the job market, and the participants in the other portion of the current welfare system see those benefits and opportunities and would very much like to participate.

Mr. CAMP. Does that 33-percent decline in AFDC costs represent the cost—decline in just the waiver area?

Mr. ORTON. No, I think it is—I think that those costs—and by the way, the AFDC costs have, in fact, declined by 33 percent. There are other administrative costs which have increased, but those increases are because the program also provides for extended Medicaid benefits, even after the people have a job. They provide for child care benefits after they are employed during a transition period, and so those are the increases.

But the result is people are on welfare many months and it seems to me it is 6 months less as a result of this program. They are getting back out into the job market more quickly and the result is jobs. It has a short-term increase in cost, but in the long term, is saving substantial resources because people are only on the program for a short period of time and then they are back out into society.

Mr. CAMP. If you know, is there a sanction for not participating in the mandatory program? If you know.

Mr. ORTON. Oh, yes, there is. If you do not participate in the program, in the first month, your AFDC grant is decreased by 25 percent and from that point forward, it is decreased continually each

month until you are phased out of any benefits after 24 months of noncompliance with the self-sufficiency plan.

Mr. CAMP. And the participation rate in this area is at what level?

Mr. ORTON. I believe they have 50 percent of the people on the program and 50 percent not on the program, so they can test, and they randomly selected people to do that, and the result is those on the program are saving—the program is saving an average of 33 percent of the AFDC costs, and it is the people not on the program who are wanting to participate in the demonstration program because of the results.

Mr. CAMP. Thank you. And I want to thank the panel for taking the time to testify before the Subcommittee. Your comments were very, very helpful.

Ms. JACKSON-LEE. Mr. Chairman, before you conclude, if I might make sort of a quasi-inquiry as we proceed. First of all, I didn't want to interrupt your kind remarks.

Mr. CAMP. Thank you.

Ms. JACKSON-LEE. And I hope—I have sensed from the presence here for a long, long time, I understand you have been in hearing now for many, many days, that you would accept the comments of your colleagues who come to this table in the spirit that they are given. There is a whole lot of sense and thought put into making these suggestions.

I would ask, as I study the Contract, whether or not that the flexibility given to cities, counties, and States would be also in subsidies—work subsidies to the particular employment area. That is part of the difficulty in terms of creating work and creating jobs. We should ensure that they are at least getting a living wage, if you will.

Certainly we are not putting aside minimum wage. It is a totally different issue inasmuch as it is providing extra dollars for them to be employed. I think that is something we need to think about as we think about job creation. The ultimate key is to move people from dependence to independence.

So I would hope as we proceed, that we will take that into consideration, the myriad of ways to come to the common solution that we need to have.

Thank you.

Mr. CAMP. Thank you very much. And I thank the panel for your testimony.

We now move to panel number seven, Hon. Lamar Smith of Texas, Hon. Patsy Mink of Hawaii, Hon. Peter Torkildsen of Massachusetts, Hon. Nick Smith of Michigan, and Hon. Marge Roukema of New Jersey.

Thank you all very much for coming. I don't see Hon. Lamar Smith, so why don't we begin with Hon. Patsy Mink of Hawaii. Your written comments will be made part of the record and we have been holding people to 5 minutes, so thank you.

#### **STATEMENT OF HON. PATSY T. MINK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII**

Mrs. MINK. Thank you very much. I appreciate the opportunity to testify.

There are numerous important issues on welfare on which I have very strong views, such as time limits, block grants, caps on benefits for the birth of additional children and the exclusion of legal immigrants, but for purposes of this statement today, due to the time constraints, I am limiting my remarks to just one subject.

I am emphatically opposed to the proposal that children born out of wedlock to teenage mothers under 18 years of age should not receive any welfare assistance under AFDC or any new block grant program which you are considering for enactment.

This proposal contained in the Republican Contract With America violates the U.S. Constitution which guarantees to all persons, including children, equal protection of the laws and due process.

Current doctrine popularly espoused by talk show hosts decries the collapse of the American family and the large number of American children born to unwed mothers. It targets the teenage unwed mother for special derision and condemnation. It would contravene the principles of this democracy to deny help to one group when others in the same group receive help.

In the proposal under consideration, children born out of wedlock by teenage mothers are denied welfare assistance unless and until the mother marries the natural father or another man adopts the child. The proposal further permits States to prohibit cash assistance and housing assistance to children born out of wedlock whose mothers are under 21 years of age.

In a memorandum dated April 14, 1994, the Congressional Research Service states, "It is possible to say that disadvantaging illegitimates in the receipt of benefits intended for the welfare of children for the purpose of discouraging what is regarded as illicit or immoral activities of their parents is an impermissible purpose and will result in invalidation."

The U.S. Supreme Court in *New Jersey Welfare Rights Organizations v. Cahill* held that such denial of benefits to a child was violative of the equal protection clause.

The court in that case quoted from a prior 1972 case, *Weber v. Aetna Insurance*,

The status of illegitimacy has expressed through the ages society's condemnation of irresponsible liaisons beyond the bounds of marriage. But visiting this condemnation on the head of an infant is illogical and unjust. Moreover, imposing disabilities on the illegitimate child is contrary to the basic concept of our system that legal burdens should bear some relationship to individual responsibility or wrongdoing. Obviously, no child is responsible for his birth . . .

The premise cited in the *Weber* case has been reiterated in other cases, *Clark v. Jeter* in 1978 and *Gomes v. Perez*, also in 1978. In the *Gomes* case, the court said,

A State may not individually discriminate against illegitimate children by denying them substantial benefits accorded children generally. We therefore hold that once a State extends a benefit . . . there is no constitutionally sufficient justification for denying such an essential right to a child simply because its natural father has not married the mother.

Accordingly, Congress should not pass laws that deny benefits to a child, the law seeks to help, on the basis of whether it had a named father or at the time of the child's birth the mother was still a teenager and unmarried.

Poor children should not be left to die on the streets of America because of the lack of a two-parent household. I want all children

to have a beautiful family life with two loving parents but not all families are like our model. This does not justify passing laws that penalize the children of single, unwed teenage parents.

Children born out of wedlock to teenage mothers should not be singled out and denied help. The courts have held consistently that this violates the equal protection clause of the Constitution. The marital status of the teenage mother is not a legally justified category that can be used to exclude her children from help.

Eligibility for aid based on whether a child has a named biological father bears no relationship to the purpose of providing the aid. A poor child, without a father, is in fact in greater need than one with a father.

The purposes of aid to dependent children are not helped by denying assistance to the child on account of the nonmarital status of the child's mother or the age of the mother.

Denying assistance to such a child is clearly punitive and violates equal protection of the law and our sense of equal justice. I respectfully urge this Committee to reject this proposal and thank you again for affording me this opportunity to testify.

[The prepared statement and attachments follow:]

PATSY T. MINK  
SECOND DISTRICT, HAWAII

WASHINGTON OFFICE  
2135 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-1102  
(202) 226-4908  
FAX (202) 728-4987

DISTRICT OFFICE  
6104 PRINCE KUMHO FEDERAL BUILDING  
P.O. Box 50124  
HONOLULU, HI 96850-4977  
(808) 541-1988  
FAX (808) 538-0233

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-1102**

COMMITTEE ON STEERING  
AND POLICY  
COMMITTEE ON BUDGET  
COMMITTEE ON EDUCATION  
AND LABOR  
SUBCOMMITTEE:  
ELEMENTARY, SECONDARY & VOCATIONAL EDUCATION  
POSTSECONDARY EDUCATION  
LABOR MANAGEMENT RELATIONS  
COMMITTEE ON NATURAL RESOURCES  
COMMITTEE ON GOVERNMENT OPERATIONS  
(on leave)

THE HONORABLE PATSY T. MINK

Statement on Welfare Reform presented to the  
House Ways and Means Committee

January 30, 1995

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

There are numerous important issues on welfare on which I have strong views, such as time limits, block grants, caps on benefits for the birth of additional children and exclusion of legal immigrants.

But for purposes of this statement today due to time constraints I am limiting my remarks to just one subject. I am emphatically opposed to the proposal that children born out of wedlock to teenage mothers under 18 years of age should not receive any welfare assistance under AFDC or any new block grant program which you are considering for enactment.

This proposal contained in the Republican Contract with America violates the U. S. Constitution which guarantees to all persons including children equal protection of the laws and due process.

Current doctrine popularly espoused by talk show hosts decries the collapse of the American family and the large number of children born to unwed mothers. It targets the teenage unwed mother for special derision and condemnation. It would contravene the principles of this democracy to deny help to one group when others in the same group receive help. In the proposal under consideration children born out of wedlock by teenage mothers are denied welfare assistance unless and until the mother marries the natural father or another man who adopts the child. The proposal further permits States to prohibit cash assistance and housing assistance to children born out of wedlock whose mothers are under 21 years of age.

In a memorandum dated April 14, 1994, the Congressional Research Service states "...it is possible to say that disadvantaging illegitimates in the receipt of benefits intended for the welfare of children for the purpose of discouraging what is regarded as illicit or immoral activities of their parents is an impermissible purpose and will result in invalidation".

The U.S. Supreme Court in New Jersey Welfare Rights Organization vs. Cahill, 411 U.S. 619 (1973) held that such a denial of benefits to a child was violative of the equal protection clause.

The Court in that case quoted from a prior 1972 case Weber v. Aetna Casualty & Surety Company, 406 U.S. 184 : "The status of illegitimacy has expressed through the ages society's condemnation of irresponsible liaisons beyond the bonds of marriage. But visiting this condemnation on the head of an infant is illogical and unjust. Moreover, imposing disabilities on the illegitimate child is contrary to the basic concept of our system that legal burdens should bear some relationship to individual responsibility or wrongdoing. Obviously, no child is responsible for his birth..."

The premise cited in the Weber case has been reiterated in other cases: Clark v. Jeter, 466 U.S. 461 (1978) and in Gomes v. Perez 409 U.S. 535 (1978).

In the Gomes case, the Court said "A State may not individually discriminate against illegitimate children by denying them substantial benefits accorded children generally. We therefore hold that once a State extends a benefit ... there is no constitutionally sufficient justification for denying such an essential right to a child simply because its natural father has not married the mother."

Accordingly Congress should not pass laws that deny benefits to a child the law seeks to help on the basis of whether it had a named father or if at the time of the child's birth the mother was still a teenager and unmarried.

Poor children should not be left to die on the streets of America because of the lack of a two-parent household.

I want all children to have a beautiful family life with two loving parents.

But not all families are like our model.

This does not justify passing laws that penalize the children of single unwed teenage parents.

Children born out of wedlock to teenage mothers should not be singled out and denied help. The Courts have held consistently that this violates the equal protection clause of the U.S. Constitution. The marital status of the teenage mother is not a legally justified category that can be used to exclude her children from help.

Eligibility for aid based on whether or not a child has a named biological father bears no relationship to the purpose of providing the aid.

A poor child without a father is in fact in greater need than one with a father.

The purposes of aid to dependent children are not helped by denying assistance to the child on account of the non marital status of the child's mother, or the age of the mother.

Denying assistance to such a child is clearly punitive and violates equal protection of the law and our sense of equal justice. I respectfully urge this Committee to reject this proposal.

Thank you again for affording me this opportunity to testify.



FACTS OBTAINED FROM A 1995 TUFTS UNIVERSITY CENTER ON HUNGER, POVERTY AND NUTRITION POLICY REPORT entitled "STATEMENT ON KEY WELFARE REFORM ISSUES: THE EMPIRICAL EVIDENCE"

The report presents scientific data that:

Welfare benefits do not cause the growth in single parent families and single parent families are not a major factor in the growth of poverty in America.

It urges that the Congress avoid the tragic mistake of adopting pseudo-reforms that stem from political ideology rather than empirical evidence.

It advises that if we wish to break the cycle of poverty we not be guided by the wish to punish poor women whose behavior we wish to chastise.

In 1994 76 researchers and scholars in the field of welfare issued a policy statement regarding the empirical facts they found in their research which they challenged political leaders to read and consider before enacting any laws.

FACT NUMBER ONE.

Growth in the number of single-parent families has been primarily among the non-poor. From 1970 to 1990 the number of female headed households increased from 6 million to 11,27 million mostly among the non-poor. 65% of the increase in single parent families were not living in poverty. For instance in 1993 there were 3.5 million unmarried non-poor couple households and a third of them had at least one child. This family would fall under a single parent definition.

Changes in welfare laws will not affect the mores and life styles of these families. In fact another Contract with America proposal will give these families a \$500 tax credit without regard to their marital status.

FACT NUMBER TWO

The Census Bureau found that economic factors such as low wage jobs accounted for approximately 85% of the child poverty rate. A 1993 Census Bureau study showed that the poverty rate was due mainly to changes in the labor market and the structure of the economy.

Bureau of Labor Statistics data from 1973 to 1990 reveal that the proportion of persons employed in service industries grew from 70% to 77%. This is the lowest wage sector of our economy.

Between 1960 and 1980, the proportion of women in the labor force increased from 40% to 61% ages 16 to 34 years.

The desire to have women work is limited to only poor women with dependent children so as to teach responsibility. For non-poor women the need to remain in the home to nurture their children into wholesome maturity is still the social ethic of our times.

Forcing poor women to work is destructive of family values.

## FACTS ON TEENAGE PREGNANCY

Teenage births, in relation to Aid to Families With Dependent Children (AFDC), have been wrongly characterized during current welfare reform debate. Not only has the social reality of teenage pregnancy been distorted and made to seem larger than the facts tell, but it has also been unjustly labeled as a major cause of welfare instead of as a problem of society in general. It is unfair to spotlight the young and poor as if they pose the majority of our nation's domestic ills.

## HERE ARE THE FACTS:

**Births to young teenagers have been declining.**

In the first decline since 1986, the rate of births to mothers 15-17 years of age decreased 2 percent in 1992.

--from the National Center for Health Statistics

**Few welfare recipients are teen mothers.**

Less than 1.2% of all AFDC mothers are less than 18 years of age (47,180 welfare mothers).

**Few welfare households are headed by teen mothers, and the number has been decreasing.**

In 1979, teenagers mothers 15-19 years old headed only 3.9% of total poor, female-headed households; the number dropped to 2.9% in 1990.

**The age of a welfare mother is much less of a contributing factor to poverty than a parent's gender.**

While 46% of families headed by a single mother are poor, only 22% of families headed by a single father and 8% of families headed by a married couple are poor.

**The growing majority of teenage mothers are white.**

Two-thirds of teenagers giving birth in 1990 were white.

**While out-of-wedlock teen births have increased, out-of-wedlock births to women in their twenties have increased much faster.**

The number of teen out-of-wedlock births increased by 150% between 1970 and 1990, while the number tripled among unmarried women 20-24 years old, and increased nearly by six times among unmarried women 25-29 years old.

--from the Women & Poverty Project, Wider Opportunities for Women, "Teen Pregnancy, Welfare, and Poverty"

TEENAGE MOTHERS RECEIVING AFDC BY STATE  
(10/91 TO 9/92)

STATE	TOTAL		% OF		Source: Dept. of Commerce Bureau of Census				
	FEMALE ADULTS	14-18 YEARS	TOTAL	TOTAL					
U.S. TOTAL	3,931,624	149,402	3.8						
ALABAMA	40,214	2,172	5.4		NEVADA	9,480	834	8.8	
ALASKA	9,202	480	5		NEW HAMPSHIRE	8,671	269	3.1	
ARIZONA	50,774	1,879	3.7		NEW JERSEY	103,872	3,532	3.4	
ARKANSAS	20,861	878	4.2		NEW MEXICO	24,178	870	3.6	
CALIFORNIA	575,324	23,013	4		NEW YORK	355,886	7,829	2.2	
COLORADO	34,894	1,221	3.5		N. CAROLINA	98,213	6,089	6.2	
CONNECTICUT	48,967	2,399	4.9		N. CAROLINA	5,802	128	2.2	
DELAWARE	8,196	197	2.4		OHIO	220,714	8,387	3.8	
D.C.	18,286	823	4.5		OKLAHOMA	39,971	1,279	3.2	
FLORIDA	174,964	9,448	5.4		OREGON	35,327	1,484	4.2	
GEORGIA	111,703	5,027	4.5		PENNSYLVANIA	180,030	6,301	3.5	
HAWAII	14,646	337	2.3		RHODE ISLAND	19,033	799	4.2	
IDAHO	6,126	245	4		S. CAROLINA	38,658	928	2.4	
ILLINOIS	201,100	6,636	3.3		S. DAKOTA	5,515	276	5	
INDIANA	61,212	2,510	4.1		TENNESSEE	79,627	3,742	4.7	
IOWA	31,680	1,109	3.5		TEXAS	204,404	8,994	4.4	
KANSAS	24,824	993	4		UTAH	15,438	648	4.2	
KENTUCKY	66,813	2,673	4		VERMONT	9,732	185	1.9	
LOUISIANA	75,526	2,568	3.4		VIRGINIA	54,168	2,004	3.7	
MAINE	21,453	880	4.1		WASHINGTON	79,780	3,510	4.4	
MARYLAND	64,769	1,619	2.5		W. VIRGINIA	34,962	1,119	3.2	
MASSACHUSETTS	99,368	2,683	2.7		WISCONSIN	68,351	2,392	3.5	
MICHIGAN	205,612	7,608	3.7		WYOMING	3,750	79	2.1	
MINNESOTA	56,288	2,083	3.7		GUAM	1,226	49	4	
MISSISSIPPI	48,894	2,151	4.4		PUERTO RICO	53,773	484	0.9	
MISSOURI	75,645	3,631	4.8		VIRGIN ISLANDS	930	4	0.4	
MONTANA	9,799	363	3.7						
NEBRASKA	12,950	596	4.6						

Mr. CAMP. Thank you.  
Hon. Peter Torkildsen.

**STATEMENT OF HON. PETER G. TORKILDSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. TORKILDSEN. Thank you, Mr. Chairman, and Members of the Committee. I will try and summarize my testimony.

I too have many strong opinions on the various parts of welfare overhaul. I do believe we have to overhaul our system because it is not working. There are two points I want to touch on today.

The primary reason I have asked to testify deals with H.R. 4's reinstatement of the gag rule to prohibit a suggestion of discussion of a legal procedure of abortion. I believe this Committee should eliminate any type of gag rule concerning abortion counseling or any other legal procedure from this or any other legislation.

Whether one considers herself or himself to be prochoice or prolife, we should all be able to agree on the protection of freedom of speech. I support a woman's right to choose and believe that the Federal Government should get out of the abortion question as much as possible. Because of that, my position on this most controversial of issues may be different from Members of the Committee.

I oppose Federal funding of abortion, but I equally oppose the Federal Government imposing any barrier to information about abortion.

Two years ago, the House, in a bipartisan vote, effectively eliminated the gag rule from title X funding. The legislation before us today or before the Committee today contains a gag rule on abortion counseling for grants listed under title I.

But no matter where it may be placed, the Federal Government should not be telling people what legal procedures they can or cannot discuss. Women deserve a right to information about the legal procedure of abortion and professionals deserve the right to discuss this or any other legal procedure.

The second issue I would like to address is the absence of a provision to enhance child support collection. Currently, only about \$13 billion in child support payments are made each year while estimates state that as much as \$47 billion or more should be paid in support of children.

Any increase in child support payments would almost certainly reduce the number of parents, usually mothers, seeking AFDC and other forms of welfare assistance. H.R. 4 logically requires the establishment of paternity, but does not provide for enforcement of child support payments once the father is identified.

While the States are and should remain the first line of collection for past due child support, there are steps the Federal Government can take to assist States, especially with parents who cross State lines to avoid their obligation to their children.

Last year I filed, and will do so again this year, legislation to coordinate the placing of liens on real property owned by a parent who owes child support. This would allow liens to be placed without custodial parents having to travel to another State. This bill would also create a disincentive for the other parent to flee a State in order to avoid child support payments.

Mr. Chairman, on the whole, I think the legislation is most positive. It will give States greater flexibility in creating alternatives to the failed welfare system, rather than impose a one-size-fits-all proposal from the Federal Government.

By enforcing child support and especially eliminating the gag rule, we can correct two major flaws in this legislation.

Thank you for the opportunity to testify. And I will be glad to answer any questions you may have.

[The prepared statement follows:]

**Congressman Peter G. Torkildsen**

**Testimony on Welfare Reform and H.R. 4  
House Committee on Ways and Means  
Subcommittee on Human Resources  
January 30, 1995**

Mr. Chairman and members of the Committee, thank you for allowing me the opportunity to testify on the important issue of overhauling our welfare system.

Perhaps nothing is crueler than being trapped in a welfare system that punishes work, and locks some recipients in a cycle of poverty. I believe the vast majority of parents on welfare want to work, but not lose the difference that AFDC, rental assistance, food stamps, and medicaid health insurance may provide.

I would like to focus on two specific provisions within the original text of H.R. 4 that I believe need to be addressed.

The primary reason I have asked to testify deals with H.R. 4's reinstatement of the gag rule, to prohibit the discussion of the legal procedure of abortion. I believe this committee should eliminate any type of gag rule concerning abortion counseling or any other legal procedure from this or any other legislation.

Whether one considers herself or himself to be pro choice or pro life, we should all be able to agree on the protection of freedom of speech. I support a woman's right to choose, and believe that the federal government should get out of the abortion question as much as possible. Because of that, my position on this most controversial of issues may be different from many members of this committee.

While I oppose federal funding for abortion, I equally oppose the federal government imposing any barrier to information about abortion.

Two years ago, the House in a bi-partisan vote eliminated the gag rule from Title X funding.

The legislation before us today contains a gag rule on abortion counseling for grants listed under Title I, Part C of H.R.4.

But no matter where it may be placed, the Federal Government should not be telling people what legal procedures they can or cannot discuss. Women deserve a right to information about the legal procedure of abortion, and professionals deserve the right to discuss this or any other legal procedure.

The second issue I would like to address is the absence of any provision to enhance child support collection. Currently, only about \$13 billion in child support payments are made each year, while estimates state that as much as \$47 billion or more should be paid in support of children.

Any increase in child support payments would almost certainly reduce the number of parents, usually mothers, seeking AFDC and other forms of welfare assistance. H.R. 4 logically requires the establishment of paternity, but does not provide for enforcement of child support payments once the father is identified.

While the states are and should remain the first line for collection of past due child support, there are steps the federal government can take to assist states, especially with parents who cross state lines to avoid their obligation to their children. Last year I filed, and will do so again this year, legislation to coordinate the placing of liens on real property owned by a parent who owes child support.

This would allow liens to be placed without custodial parents having to travel to another state. The bill would also create a disincentive for the other parent to flee a state in order to avoid child support payments.

Mr. Chairman, on the whole, this legislation is most positive. It will give states greater flexibility in creating alternatives to the failed welfare system, rather than impose a one-size-fits-all proposal from the federal government.

By enforcing child support and, especially, eliminating the gag rule, we can correct two major flaws in this legislation.

Thank you for the opportunity to testify, and I will gladly attempt to answer any questions you may have.

Mr. CAMP. Thank you for your testimony.  
Hon. Nick Smith.

**STATEMENT OF HON. NICK SMITH, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF MICHIGAN**

Mr. SMITH OF MICHIGAN. Mr. Chairman, Committee, thank you very much.

All of us who have been in politics have heard horror stories about the abuse in welfare. In general welfare, I would simply suggest to the Committee, that when we look at recovering contributions to raise kids, we not only go after the father, but also the mother, if once she is off welfare, is making more than 150 percent of poverty. We should consider asking the mother to reimburse taxpayers for some of that support.

More specifically, I am here today to make some comments on SSI. In the Michigan Legislature, I introduced the first bill to do away with general assistance for able-bodied adults and legislation to change the age for special education from 3 years until 23 years.

One month after I was sworn in to Congress, a school counselor approached me at a restaurant in Hillsdale and suggested that there is something very terribly wrong happening in her school. Specifically, parents were coaching their children how to be designated as disabled or slow learners because it made their children eligible for what is now \$472 a month in disability payments.

Michigan has an SSI supplement of \$14 a month. Also, Michigan has a payment of up to \$100 a month for those parents that keep their disabled children at home. Right now, nationally, the annual cost for children on SSI is \$4.35 billion.

I introduced H.R. 3913 in February 1994 to deal with this problem. That legislation said that younger children should not be included in SSI. In March 1994, I included language in the budget that we sent to the floor urging this Committee to hold hearings on the abuse of SSI by children. So I am delighted to make a few comments.

The *Zebley* decision in 1990 exacerbated the current problem and within a few years, the number of children on SSI had doubled. The original text of the SSI bill that was passed in 1972 intended to provide income to those individuals that were not eligible for Social Security disability insurance because they didn't have sufficient work records. Children, by a quirk, got added later and then the *Zebley* decision tremendously expanded their reliability.

I suggest to this Committee that children do not fit the purpose of SSI. The IFA, the individualized functional assessment, is a test for the eligibility to work, and it doesn't make sense for kids. We should just use medical listings. I would suggest that this Committee seriously consider taking children 12 years and younger off SSI. I say 12 years and younger because, after that age, some of these kids might be expected to work and make a contribution to their family.

AFDC and Medicaid vouchers, not cash, can replace what SSI is now doing for those kids. We have Federal and State laws that provide and demand that special education be given to these young children. I commend this Committee and certainly you, Mr. Camp, for your initiative on welfare reform, as well as Congressman McCrery and Congressman Kleczka. I encourage you to continue your efforts to stop this serious abuse of taxpayer money.

Mr. Chairman, may my written testimony be included as part of the record?

Mr. CAMP. It will.

[The prepared statement follows:]



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NICK SMITH, MEMBER OF CONGRESS  
Testimony on the Supplemental Security Income program  
before the Subcommittee on Human Resources  
House Ways and Means Committee  
January 30, 1995

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MR. CHAIRMAN...MEMBERS OF THE SUBCOMMITTEE ON HUMAN RESOURCES, THANK YOU FOR THIS OPPORTUNITY TO TESTIFY ON THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM.

I BEGAN INVESTIGATING THIS PROGRAM IN 1993 AFTER SEVERAL CONSTITUENTS, INCLUDING SCHOOL COUNSELORS AND DISABILITY EXAMINERS BROUGHT TO MY ATTENTION WIDESPREAD ABUSE IN THE PROGRAM. AFTER THE ZEBLEY SUPREME COURT DECISION (SULLIVAN V. ZEBLEY) IN FEBRUARY 1990 LOOSENED THE CRITERIA FOR CHILDREN TO QUALIFY FOR SSI, MANY PEOPLE DISCOVERED THEY COULD COLLECT CASH BENEFITS BY HAVING THEIR CHILDREN CLASSIFIED AS "DISABLED" IF THEY WERE SLOW LEARNERS OR EVEN BECAUSE OF BEHAVIORAL PROBLEMS. THIS HAS LED TO A GREAT DEAL OF ABUSE IN THE PROGRAM. JUST 10 DAYS AGO, THE WALL STREET JOURNAL GAVE THE EXAMPLE OF AN EXTENDED FAMILY IN BOSTON RECEIVING NEARLY \$1 MILLION A YEAR FROM SSI. WHILE THIS IS AN EXCEPTIONAL CASE, I THINK IT SHOWS JUST HOW MUCH OUT OF CONTROL SSI HAS BECOME.

THE ZEBLEY DECISION ISN'T THE ONLY PROBLEM. WHEN CONGRESS ESTABLISHED THE SSI PROGRAM IN 1972, IT INTENDED TO SUSTAIN THE INCOMES OF THOSE WHO ARE DISABLED AND CAN NO LONGER WORK. IN THE ORIGINAL TEXT OF THE BILL, CHILDREN WEREN'T COVERED, BUT A PROVISION WAS TUCKED INTO THE 697-PAGE BILL AT THE LAST MINUTE BY A FEDERAL OFFICIAL WHO SAID HE ADDED IT AS PART OF AN INCREMENTAL STRATEGY TO EXPAND WELFARE. SINCE CHILDREN AREN'T EXPECTED TO EARN ANY INCOME, THE GOVERNMENT SHOULDN'T SIMPLY HAND OUT CASH. IF WE'RE GOING TO PROVIDE DISABLED CHILDREN WITH SPECIAL BENEFITS, IT SHOULD REFLECT ACTUAL NEEDS PERTAINING TO THEIR DISABILITIES.

THIS POINT IS VITAL BECAUSE MOST OF THE MEDICAL AND EDUCATIONAL NEEDS ARE ALREADY COVERED UNDER EXISTING STATE AND FEDERAL LAWS. FOR EXAMPLE, SPECIAL EDUCATION IS A FEDERAL REQUIREMENT AFTER AGE 4, WITH SOME STATES STARTING AT BIRTH.

IN THE LAST CONGRESS, I INTRODUCED H.R. 3913 TO END CHILDREN'S CASH BENEFITS UNDER SSI. I WOULD LIKE TO COMMEND MY COLLEAGUES JIM MCCRERY AND GERALD KLECZKA, WHO HAVE THOUGHTFULLY PUT TOGETHER A PROPOSAL TO END CASH BENEFITS WHILE MAKING SURE THAT KIDS WITH SPECIAL NEEDS THAT HAVEN'T BEEN MET UNDER OTHER PROGRAMS CAN GET ASSISTANCE. I'D LIKE TO ENCOURAGE THE COMMITTEE TO CAREFULLY EXAMINE THE BENEFITS THAT ARE ALREADY AVAILABLE TO

POOR CHILDREN TO PREVENT DUPLICATION WITH EXISTING PROGRAMS.

PERHAPS THE BIGGEST INJUSTICE IN THE CURRENT SSI SYSTEM IS TO THE CHILDREN THEMSELVES. WHEN CHILDREN ARE CLASSIFIED AS "DISABLED," OR PUT INTO A SPECIAL EDUCATION PROGRAM, IT MAKES IT MORE DIFFICULT FOR THEM TO DEVELOP NORMALLY AND KEEP UP WITH THEIR PEERS. THERE IS ANECDOTAL EVIDENCE THAT SOME PARENTS HAVE EVEN DISCOURAGED THEIR KIDS FROM BEHAVING OR PERFORMING WELL BECAUSE IT MIGHT JEOPARDIZE THEIR SSI CASH BENEFITS. REPLACING CASH WITH IN-KIND BENEFITS RELATED TO DISABILITIES WILL GREATLY REDUCE THE INCENTIVE FOR PEOPLE TO TAKE ADVANTAGE OF THIS PROGRAM.

IN ADDITION TO ENDING CASH BENEFITS, I WOULD LIKE TO VOICE SUPPORT FOR ELIMINATING THE "INDIVIDUALIZED FUNCTIONAL ASSESSMENT (IFA)" CRITERIA FOR PUTTING KIDS ON SSI. THE IFA WAS ADOPTED TO MAKE SURE THAT AN ADULT WHO COULDN'T FUNCTION WELL ENOUGH TO HOLD A JOB WOULD BE CLASSIFIED AS DISABLED AND GET REPLACEMENT INCOME. AS I MENTIONED EARLIER, A CHILD IS NOT EXPECTED TO EARN INCOME. REMOVING THE IFA CRITERIA WOULD ESSENTIALLY REESTABLISH THE LAW BEFORE ZEBLEY BY ALLOWING THE SOCIAL SECURITY ADMINISTRATION (SSA) TO USE ONLY MEDICAL LISTINGS FOR CHILDREN. THIS WOULD NOT VIOLATE THE ZEBLEY DECISION. THE COURT OVERTURNED THE REGULATIONS, NOT BECAUSE THEY WERE INHERENTLY WRONG OR UNCONSTITUTIONAL, BUT BECAUSE THE 1972 SSI LEGISLATION DIDN'T EXPLICITLY ALLOW SSA TO SET UP DIFFERENT CRITERIA FOR CHILDREN. THIS LEGISLATION WOULD EXPLICITLY ALLOW SSA TO WRITE REGULATIONS THAT EXCLUDE IFA'S FOR THE CHILDREN'S PORTION OF SSI.

MR. CHAIRMAN...MEMBERS OF THE SUBCOMMITTEE, THANK YOU FOR THE OPPORTUNITY TO TESTIFY AND I WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

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Mr. CAMP. Thank you very much for your testimony.  
 Hon. Marge Roukema.

**STATEMENT OF HON. MARGE ROUKEMA, A REPRESENTATIVE  
 IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mrs. ROUKEMA. Thank you, Mr. Chairman. I ask unanimous consent that the full text of my comments be included in the record, and thank you for the chance to testify here today. You are establishing a wonderful record and I thank you very much.

Unfortunately, this welfare debate got off on the wrong foot with an argument focusing on what an orphanage is or a group home or a settlement house. Whatever we want to call them, it initiated a war of words and I think we ought to end that war of words. I think there is a general recognition that the system is out of control and in need of radical reform, and I characterize the prescription for that radical reform as tough love.

Clearly the American taxpayers have been concerned about the failure of this system, but it is not only the taxpayers. It is more than that. It has been fostering unhealthy and unproductive dysfunctional families that sentence children to a lifetime of extreme economic, social, and emotional deprivation. Clearly the children have become the victims.

In reinventing the system, I think we must address both the short-term and the long-term problems of these children, and again, end the war of words and focus on what the real evidence is that we can really reverse the trend, and no longer countenance people being raised in abusive and drug-infested households or that children would be going hungry in the streets. And so I thank you for this opportunity.

I want to go to the denial of AFDC benefits for additional children. That is one component of your legislation here and I want to indicate to you that this position was initiated in New Jersey a number of years ago when then-Democratic Governor Florio concluded that we were subsidizing unwed mothers and out-of-wedlock births and put into the legislation denying benefits for AFDC recipients when new children were born.

That system went into effect and during the first 12 months, indicate—there is every indication, the statistics show, that the birth rate among those recipients have gone down 14 percent. Now, 1 year's data does not prove the rule, but the program will be tracked over a period of years to confirm the relationship, and I think it is an indication that this is the direction in which we should go and it should be included in our legislation.

I stress today interstate child support enforcement has already been mentioned by one of our other colleagues and I know you are having a full hearing on that next week, but I do want to say that effective reform of our interstate child support system is an essential component of any welfare reform plan that we pass, and I think the President, President Clinton, acknowledges this as well as the Republican program. While Republicans and Democrats may have different ideas about how to reform the overall plan, we are united in that one area.

I would include in the record here a few of the statistics that are quite startling, only one of which I will go over now and that is 23

million children are owed more than \$34 billion in support payments. No, I will add one more statistic. HHS estimates that a substantial increase in child support enforcement could reduce AFDC payments by 25 percent. I think that is a startling number and one that bears up under scrutiny.

I introduced and—reintroduced, I should say, H.R. 195 which is a comprehensive child support enforcement piece of legislation based on the recommendations of the U.S. Commission on Interstate Child Support Enforcement, of which I was honored to serve as a member. I won't go into the details of that except to say that it also includes criminal penalties and direct garnishment of wages from out-of-State employers.

On a related topic—and by the way, I would like to introduce an outline of H.R. 195 into the record.

My time is running out, so I will skip to the last part of my statement and talk about the block granting of welfare and how we should give States more responsibility. But the main reason I am here today, Mr. Chairman, is to indicate that we cannot, in eliminating the entitlement aspects and doing the block granting of welfare reform, we cannot end up with children who are homeless and hungry.

I have spoken to numbers of my colleagues on this subject before and I have noted that whether we call it a backstop, a trigger, a safety net, or as Chairman Clay Shaw identified it, both in news accounts as well as on television this past Sunday, whether we refer to it as a contingency-based system, we must work out a system between the Federal Government and the States, whether entitlement or not, that there is a way to deal during recessionary times so that the children are not going to be the victims.

I welcome Chairman Shaw's speculation concerning the fold back mechanism that might be laid to a new welfare program styled after the employment—the Unemployment Compensation Program. That may be the way to go. In any event, people of good will and understanding must be able to address that component of the block grant and not entitlement aspect. Children must not become once again the victim of the system.

[The prepared statement and attachment follow:]

Statement of  
The Honorable Marge Roukema  
before the  
House Ways and Means  
Subcommittee on Human Resources  
January 30, 1995

Before starting my testimony, I would first like to congratulate my distinguished colleague from Florida -- Clay Shaw -- on his well-deserved promotion to the chair of the House Ways and Means Subcommittee on Human Resources. Mr. Chairman, you've waited years for this exciting opportunity and we are all supremely confident that you are up to the task of leading the Committee during the 104th Congress.

The people of the United States have given the Republican Party a historic opportunity to demonstrate our commitment to constructive change -- a change to more effective and efficient governance. These hearings represent the first step in what is sure to be a long and difficult process of fulfilling this commitment. I, for one, welcome the challenge.

#### **DSYFUNCTIONAL SYSTEM**

Unfortunately, the welfare reform debate got off on the wrong foot by focusing initially on the term of "orphanages" or "settlement houses" or "group homes" or "youth hostels". Whatever you want to call them -- we must resolve to end this "war of words" today. We (conservatives, moderates and liberals alike) must acknowledge that our welfare system is out of control and in need of radical reform. I characterize the prescription as "tough love".

Clearly, what outrages American taxpayers most completely is the conviction that the welfare system is an unmitigated failure. Not only is it wasting hard-earned taxpayers dollars, but it has created -- and is fostering -- unhealthy, unproductive dysfunctional families that sentence children to a lifetime of extreme economic, social and emotional deprivation.

Clearly, the children are the victims!!! In re-inventing the welfare system, we must address the short-term and long-term problems of the children. Youth hostels and group homes (orphanages if you will) should be an element of reform. But the costs will be significant whether absorbed at the federal or the state level.

Ultimately, however, Americans and the Congress will not countenance children being raised in abusive, drug-infested households or going hungry in the streets. We must begin a serious debate -- not a unproductive "war of words!!"

#### **Denial of Higher AFDC Benefits for Additional Children**

One component of our current welfare system that must be fixed is the fact that, in most states, welfare recipients automatically receive additional, higher benefits when they have more children. In some cases, this amounts to a perverse incentive for beneficiaries to remain on welfare and have more children, instead of taking responsibility for themselves and their families and getting off welfare.

A few years ago, the New Jersey State Legislature and then Governor Florio concluded that our welfare program was simply subsidizing unwed mothers and out-of-wedlock births, and that strong, corrective action was necessary. The State

began denying AFDC recipients higher benefits for new children in August of 1993, and the preliminary results for this new initiative during its first twelve months indicate that births to AFDC recipients have been reduced by 14 percent.

It is too early to determine precisely what caused this reduction, but the fact remains that this is an encouraging signal nonetheless. This program must be tracked over a period of several years to confirm its relationship to changing behavior patterns and to separate the cash welfare payments from the birthrate.

On the federal level, we must follow this example and prohibit any automatic increase in AFDC benefits to mothers, already in the program, who have additional children.

### **WELFARE REFORM MUST INCLUDE CHILD SUPPORT REFORM**

I know that the Subcommittee will be holding a hearing on Child Support Enforcement next week, but I just want to very briefly mention a few items on this important subject. Effective reform of our Interstate Child Support Enforcement laws must be an integral component of any welfare reform plan that the 104th Congress sends to President Clinton.

While Republicans and Democrats may have vastly different ideas about how best to reform our welfare system, most readily agree that strong Interstate Child Support Enforcement reform must be part of our reform plans.

Make no mistake about it: effective Child Support Enforcement reform is welfare prevention. Non-support of children by their parents is one of the primary reasons that so many families end up on the welfare rolls to begin with.

Here are just a few of the key statistics:

- \* 23 million children are owed more than \$34 billion in support payments;
- \* 5.4 million families never collect a dime of legal child support;
- \* The default rate for car loans is about 3%, while the default rate on child support payments is almost 50%!
- \* HHS estimates that a "substantial" increase in child support enforcement could reduce federal AFDC payments by 25%!

On the first day of this new Congress, I re-introduced comprehensive child Support Enforcement reform legislation (HR 195) that would enact the recommendations of the U.S. Commission on Interstate Child Support, of which I was honored to serve as a member. I have attached a 1-page summary of this legislation to my statement, and I urge my colleagues to consider cosponsoring this important legislation.

On a related topic, I want to strongly urge the Subcommittee to approve legislation that links the establishment of paternity to eligibility for welfare benefits. For AFDC recipients, we must send a strong signal that we will require their cooperation in establishing paternity of their children, in order to them to be eligible for benefits.

We must not allow AFDC recipients to receive their benefits regardless of whether or not they help establish paternity for their children. For those mothers who are cooperative, their benefits should be protected even if the child's father fails to cooperate and paternity cannot be established.

But, for those mothers who do not cooperate -- the cutoff of benefits should

be precise and complete.

Establishing paternity establishes a potential for future financial support; but, most importantly, it re-establishes a code of conduct that fixes responsibility on the male, as well as the female, in the rearing of children -- Reconfirming these principles are essential to restoring respect for the family unit in our society.

### **Preventive Health Care and Immunization Requirements**

For decades, States have required that children entering the school system be properly immunized and vaccinated. The record is clear: when we require immunization and vaccination as a condition of attending school, and tell parents that their children can't start classes without them, they do the right thing: they children make sure that kids get their shots!

Regrettably, either through ignorance or apathy, many parents in the welfare program today are failing to get their children immunized and vaccinated, making these children the real victims.

We must require parents to have their children properly immunized and up-to-date on their vaccinations in order to qualify for AFDC, WIC or Food Stamp benefits. State compliance with this requirement should be mandatory, not optional. Also, any day care and child care center that receives federal monies must be required to certify that these same immunization and vaccination standards have been met before enrolling any given child.

In 1992, six children died in New Jersey from an outbreak of the measles. It's a national disgrace that today -- just five years from the 21st century -- the United States (the world's most advanced country with the best medical care available) ranks down there with many Third World bloc countries when it comes to immunization and vaccination standards.

Immunizations and vaccinations are preventive medicine. Extensive medical and scientific evidence demonstrates that every dollar invested in childhood immunization saves ten dollars in future health care costs. There is no reason why AFDC, WIC or Food Stamp recipients should not have their children properly immunized, particularly when free -- or discounted -- immunizations and vaccinations are widely available in many communities.

### **Block Granting Welfare Can Give States More Flexibility:**

In recent weeks, there has been considerable speculation in the news media about ongoing negotiations between Republican Governors and Members of Congress about making welfare a block grant program. Essentially, these discussions revolve around the idea of taking many different federal programs, with their myriad of conflicting rules and regulations, and instead simply giving States a block grant of funds with some basic federal guidelines, and allowing States the flexibility to implement the welfare program they think suits their needs.

While I believe that this idea has considerable merit, I want to be clear about my thoughts on a related topic: some have suggested that, in addition to "block granting welfare programs", the Congress should also change the status of this funding from entitlement-based to discretionary-based part of the federal budget.

I have some very strong concerns about proposals of this nature. For the Committee's hearing record let me state my views on this idea categorically: Children must not go hungry or homeless! If ensuring that children do not go

hungry and homeless means welfare remains an entitlement program, so be it.

However, I am hopeful that if we put our minds to it we can resolve this dilemma while still retaining the fiscal accountability that came with defusing the entitlement mentality.

We all know the kind of political games that can be played -- by both the President and Congress -- over those programs in the discretionary part of the budget. In the past, some discretionary programs were intentionally underfunded by Congress with the goal of forcing the President to request supplemental appropriations. Once this happened, Members of Congress have had a bonanza loading up all sorts of unrequested items onto the President's supplemental appropriations bill -- you know what I'm talking about, the good old-fashioned "Christmas Tree" approach to legislating.

That's why I believe that those programs that feed and protect our children should remain entitlement-based, not discretionary. We must not let this happen to those welfare programs that feed and protect our children. We simply cannot allow this kind of political gamesmanship to infect these essential programs.

The resolution to these seemingly irreconcilable goals may be what subcommittee chairman Shaw referred to over the weekend on a television show as a contingency-based system. Such an approach has been variously characterized as a "back-stop", a "trigger", or a "safety net" system.

In fact, today's Wash Post quotes chairman Shaw as noting we could model a new welfare program "after the unemployment compensation program. We pay into an unemployment fund every year, and states can draw it down during times of high unemployment. We could set up a similar welfare fund that would be triggered in times of economic downturn." I completely agree, and hope that the House will follow our distinguished Subcommittee chairman's lead on this issue.

In any event, we must declaratively construct an fall-back mechanism so that during recessionary periods encountered either regionally by the states or during a national recession, that protects those who truly need such protection. I am aware that there are some who optimistically believe that the savings incurred by the block grant approach will more than offset the costs incurred during recessions. But I would suggest that based on solid data this may be too close for comfort to a "pie in the sky" outlook. We need to proceed very, very carefully in this respect.

With that said, I'll conclude my statement.

Again, I thank Chairman Shaw and the Subcommittee for providing me with this opportunity to testify on the need to reform our welfare system and on some of the solutions that I believe we must enact. At this point in time, I'd be more than happy to answer any questions that the Subcommittee's members might have.



**H.R. 195, INTERSTATE CHILD SUPPORT ENFORCEMENT ACT**

Sponsored by  
Congresswoman Marge Roukema

**Comprehensive legislation implementing the recommendations of the U.S.  
Commission on Interstate Child Support Enforcement.**

**Key provisions:**

- \* Requires new paternity establishment initiatives, including **mandatory** hospital-based paternity programs.
- \* Simplifies paternity establishment process, and, in contested paternity, shifts the burden of proof to a father who has **already** acknowledged paternity.
- \* Definitively authorizes "direct service" -- the procedure by which a parent owed child support can have the "deadbeat" spouse's wages garnished. **When direct service is used, success rates can be as high as 80%.**
- \* Requires States to criminalize willful failure to pay child support, and utilizes civil and criminal penalties on "deadbeats".
- \* Improved location of non-custodial parents and support order establishment. Creates a new line on the federal W-4 for every new employee to indicate child support obligations.
- \* Improves and updates the national computer network connecting state child support offices. Expands data bases to include the National Criminal Information Center (NCIC), quarterly IRS estimated tax reports; state motor vehicle registration; state bureau of corrections; occupational and professional licensing departments; public utility companies and credit reporting agencies.
- \* Withholds of drivers' and occupational licenses from "deadbeat parents" who owe back child support. **This gets to the problem of wage garnishment for the self-employed.**
- \* Increases use of credit reporting and garnishment.
- \* Creates uniform, national subpoenas to simplify burdensome paperwork requirements.

Mr. CAMP. Thank you very much.  
Hon. Lamar Smith.

**STATEMENT OF HON. LAMAR S. SMITH, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF TEXAS**

Mr. SMITH OF TEXAS. Thank you, Mr. Chairman.

Mr. Chairman, as Chairman of the Immigration Subcommittee, I appreciate the opportunity to testify on the subject of immigrants and welfare reform. In reforming welfare, some tough questions about immigrants must be addressed. Should this Nation allow noncitizens to disproportionately take advantage of America's limited welfare resources while ignoring its own citizens? The system, as it is currently being used, is fundamentally unfair to American taxpayers and American workers.

It is unfair to ask hardworking citizens, who already pay the highest taxes in American history, to foot the bill for welfare, housing, and unemployment compensation for noncitizens. A recent study estimated the annual net cost of providing means-tested cash public assistance to immigrants, deducting the amount they pay in taxes, is at least \$16 billion per year.

About 9 percent of immigrant households receive cash welfare assistance, compared to 7.4 percent of native households. Immigrants on the average receive about 30 percent more in public assistance than the native born. According to the Social Security Administration, immigrant recipients of Supplemental Security Income, or SSI, increased 370 percent between 1982 and 1992 compared to just a 39 percent overall increase.

Since 1882, our immigration policy has been—I wonder if that is a typo or not on the title there. Since 1882, our immigration policy has been able to exclude those who are likely to become public charges, however, very few prospective immigrants are excluded on these grounds. From 1988 to 1993, for example, the percentage of annual public charge exclusions at overseas consulates ranged from 0.6 to 6 percent.

I will speed it along so we will be able to leave after the 5 minutes.

Once in America, a negligible number of immigrants are deported for becoming public charges, since the required affidavit of support is unenforceable under current case law, and other relevant laws are weak. The Immigration and Naturalization Service stopped counting the number of annual deportations in 1980 because it was so minimal.

The Personal Responsibility Act currently does not contain any provisions to strengthen the sponsorship requirements in our immigration laws. And I urge this Subcommittee to consider strengthening the law governing sponsorship, including a detailed definition of public charge, and deeming a sponsor's income and assets to the alien through citizenship. The affidavits should be made legally enforceable, and financial criteria for eligibility should be required of sponsors.

The Subcommittee also should consider narrowing the period during which refugees are allowed to receive public assistance. Currently, refugees are provided with public assistance through the Department of Health and Human Services for their first 3 years

in the United States. After this time, they are allowed to receive Federal and State general assistance indefinitely, without sponsorship or threat of deportation.

According to a 1990 study, refugees had a cash assistance welfare participation rate of 16 percent. The average amount of cash or assistance received by a refugee household on welfare was \$7,000, compared to \$4,800 for other immigrants and \$4,000 for natives.

I would also urge the Subcommittee to consider a provision allowing States to follow Federal classifications of citizens and noncitizens in determining eligibility for their welfare programs. If welfare programs are block granted to the States, but Congress does not address the issue of eligibility on the basis of citizenship, States will be required to continue to provide assistance to noncitizens. This would have a significant negative financial impact on State governments.

Regardless of the exact restrictions placed on providing welfare assistance to noncitizens, Congress can and should empower the States to follow its direction. Our goal, as stated in section 201(c) of the act is to, "give States the flexibility to design their own welfare-to-work programs and to decide who must participate in such programs." The administration of welfare is most effective at the level closest to the people. Congress should give States a high degree of flexibility in administering their welfare programs.

It is important that the spirit of the Personal Responsibility Act not be abandoned. The net fiscal benefit from title IV alone, according to the CBO, is roughly \$22 billion over 5 years.

The debate over welfare reform, however, is not just over \$22 billion. Welfare is more a behavioral issue than a budgetary issue. Welfare destroys the recipient's work incentives, encourages the breakdown of the family and creates dependency down generations. In the words of former President Ronald Reagan, "You cannot create a desert, hand a person a cup of water, and call that compassion. You cannot build up years of dependence on government and dare call that hope."

What is true for citizens is equally true for those who want to become citizens. Mr. Chairman, thank you for allowing me to testify.

[The prepared statement follows:]

**Statement of Rep. Lamar Smith (R-TX)  
Before the Human Resources Subcommittee  
Regarding Title IV of the Personal Responsibility Act of 1995**

**January 30, 1995**

Mr. Chairman, as Chairman of the Immigration Subcommittee, I appreciate the opportunity to testify on the subject of immigrants and welfare reform.

When Republicans signed the Contract With America on September 27, we did so because we believed in its vision for America. The American people made it very clear on November 8th that they not only embrace this vision, but expect us to implement it.

In reforming welfare, some tough questions about immigrants must be addressed. Should this nation allow non-citizens to disproportionately take advantage of America's limited welfare resources while ignoring its own citizens? The system, as it is currently being used, is fundamentally unfair to American taxpayers and workers.

It is unfair to ask hard-working citizens, who already pay the highest taxes in American history, to foot the bill for welfare, housing and unemployment compensation for non-citizens. American taxpayers should not be forced to give their earnings to non-citizens.

A recent study estimated the annual net cost of providing means-tested cash public assistance to immigrants, deducting the amount they pay in taxes, to be at least \$16 billion. About 9 percent of immigrant households receive cash welfare assistance, compared to 7.4 percent of native households. Immigrants on the average receive about 30 percent more in public assistance than the native-born.<sup>1</sup> According to the Social Security Administration, immigrant recipients of Supplemental Security Income (SSI) increased 370 percent from 1982 to 1992, compared to a 39 percent overall increase.<sup>2</sup>

Since 1882, our immigration policy has been to exclude those who are likely to become "public charges." However, very few prospective immigrants are excluded on these grounds. From 1988 to 1993, for example, the percentage of annual public charge exclusions at overseas consulates ranged from point 6 to 6 percent.<sup>3</sup>

Once in America, a negligible number of immigrants are deported for becoming public charges, since the required affidavit of support is unenforceable under current case law, and other relevant laws are weak. The Immigration and Naturalization Service stopped counting the number of annual "public charge" deportations in 1980 because it was so minimal.

The Personal Responsibility Act currently does not contain any provisions to strengthen the sponsorship requirements in our immigration laws. I urge the Subcommittee to consider strengthening the law governing sponsorship, including a detailed definition of public charge, deeming a sponsor's income and assets to the alien, and an extension of the guarantee through citizenship. The affidavits should be made legally enforceable, and financial criteria for eligibility should be required of sponsors.

The Subcommittee also should consider narrowing the period during which refugees are allowed to receive public assistance. Currently, refugees are provided with public assistance through the Department of Health and Human Services for their first 3 years in the United States. After this time, they are allowed to receive Federal and State general assistance indefinitely, without sponsorship or threat of deportation.

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<sup>1</sup>GEORGE J. BORJAS, IMMIGRATION AND WELFARE 1970-1990.

<sup>2</sup>REPORT OF THE SOCIAL SECURITY ADMINISTRATION.

<sup>3</sup>STATISTICIAN'S OFFICE, CONSULAR BUREAU, U.S. DEPARTMENT OF STATE.

The Personal Responsibility Act seeks to limit the period during which refugees can receive public assistance to 6 years. While this is a step in the right direction, I would urge the Subcommittee to consider amending the current language to 3 years. This is a reasonable amount of time for a person to secure employment and begin assimilation into society. Any exemption for refugees must be seen in light of the fact that refugees have a higher welfare participation rate than other immigrants, even after 20 years in the United States.<sup>4</sup>

According to a 1990 study, refugees had a cash assistance welfare participation rate of 16 percent. The average amount of cash assistance received by a refugee household on welfare was \$7,000, compared to \$4,800 for other immigrants and \$4,000 for natives.<sup>5</sup>

I would also urge the Subcommittee to consider a provision allowing States to follow Federal classifications of citizens and non-citizens in determining eligibility for their welfare programs. If welfare programs are block-granted to the States, but Congress does not address the issue of eligibility on the basis of citizenship, States will be required to provide assistance to those with the highest rate of welfare use. This would have a significant negative financial impact on State governments.

Regardless of the exact restrictions placed on providing welfare assistance to non-citizens, Congress can and should empower the States to follow its direction. Our goal, as stated in Section 201(c) of the Act, is to "give States the flexibility to design their own welfare-to-work programs and to decide who must participate in such programs." The administration of welfare is most effective at the level closest to the people. Congress should give States a high degree of flexibility in administering their welfare programs.

It is important that the spirit of the Personal Responsibility Act not be abandoned. The net fiscal benefit from Title IV alone, according to the Congressional Budget Office, is roughly \$22 billion over 5 years.

The debate over welfare reform, however, is not over \$22 billion. Welfare is more a behavioral issue than a budgetary issue. Welfare destroys the recipient's work incentives, encourages the breakdown of the family unit, and creates dependency down generations. In the words of former President Ronald Reagan: "You cannot create a desert, hand a person a cup of water, and call that compassion. You cannot build up years of dependence on government and dare call that hope." What is true for citizens is equally true for those we want to become citizens.

Mr. Chairman, thank you for allowing me to testify. I would be happy to answer questions.

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<sup>4</sup>GEORGE J. BORJAS, IMMIGRATION AND WELFARE 1970-1990.

Mr. CAMP. Thank you all very much.

Mr. COLLINS may inquire.

Mr. COLLINS. Thank you, Mr. Chairman. I just want to take a moment to thank each of the panelists for being with us and offering their input into this very complex issue as we try to reform the current welfare system. A lot of the people that I have the opportunity to represent say we don't need to reform it, we need to replace it. It was evident in the November 8 elections when many working people across this country just finally went to the polls and said, enough is enough.

We have heard a lot in recent days about shrinking paychecks, paychecks today being equivalent—or minimum wage being equivalent to 40 years ago. I think a lot of that has come from the standpoint that the gross on checks has increased but the net has decreased or the difference between them has increased, leaving less net, and that is what made people go to the polls and make a new change in November.

We are looking at the block grant program that will give flexibility, one that will require funding through appropriations each year so that we can make sure that if there is a recession, that we are able to take care of those needs of the States and not, again, put an unfunded mandate on them.

But as we address welfare reform, and we talk about work programs, we are going to have to address the area of job creation. Along with welfare reform, as I know that many Members of this body will support, I hope they too will support the tax initiatives that we are putting forth that will increase the cash flow with the private sector, enhancing the economy of the private sector, creating jobs in the private sector.

So as we try to replace the current welfare system, as we have today, with one that requires more responsibility, requires work, encourages work, has an incentive to work, that our colleagues will also support those initiatives.

Thanks again for being here.

Mr. CAMP. Thank you.

Ms. Dunn may inquire.

Ms. DUNN. Thank you very much, Mr. Chairman. And I am sorry to have missed your testimony, panel, but I was kept in my office with a constituent meeting.

Mrs. Roukema, I wanted to tell you that I support your efforts to include child support in this welfare replacement plan that we are working on. Today Representative Bilirakis came and testified before us on a plan for—

Mrs. ROUKEMA. Bilirakis did you say?

Ms. DUNN. Yes, that is right, and Henry Hyde has additional legislation. I am trying to track those because they are all along the line of making the paternity—making the establishment of paternity part of this whole process and then making sure that that second parent is there to help in the support of the child.

Have you looked at that legislation? Does it mesh with what H.R. 195 says?

Mrs. ROUKEMA. Absolutely. That is one of my recommendations and it is one of the chief recommendations in the Interstate Child Support Enforcement Commission, that you establish but require

the mother to cooperate in establishing paternity at the time of birth at the hospital.

That cooperation must be required and if—it doesn't mean that you are always going to find or identify legally with DNA testing, and so forth, in 100 percent of the cases the father, but the experiments in the States have been excellent in terms of indicating tremendous success, child support officials, and child advocates have indicated tremendous success. Therefore, if—following that, if paternity is not established or cooperation is not established, AFDC and WIC payments would be denied, but there has to be cooperation.

Now, that not only helps us in terms of getting some support, financial support for the child, but even more than that, it helps establish the principle that we are trying to reestablish, which is male responsibility and restoration of a family unit. It is moving us in that direction, so it serves both purposes.

Ms. DUNN. Good. Personal responsibility is something that we have tried to achieve, certainly in our Contract With America proposal.

Mrs. ROUKEMA. I have included that in my statement but I didn't have time to go through it verbally.

Ms. DUNN. Have you had a chance to look at the Hyde or the Bilirakis legislation?

Mrs. ROUKEMA. Well, I have been working with Congressman Hyde and Congressman Bilirakis over a number of years, and I think that we have always been consistent in our legislative goals. I don't—I have not looked at this piece. It may have just been formulated and I am not aware of it. It is not the one left from last year? This is a new form of legislation?

Ms. DUNN. The Hyde is the IRS proposal of last year, and I wanted to use your background in knowing whether this is a benefit for us.

Mrs. ROUKEMA. If that is what you are referring to, I misunderstood the question. Yes, I have conferred with Congressman Hyde and with his staff and we are trying to work with them completely on that. I do understand that IRS has some problems with it. But we are trying to work that out and work in a cooperative way, and I would expect that we would be able to come up with a unified piece of legislation.

Ms. DUNN. Great. Representative Smith, I wanted to ask you, as I read your testimony, you talk about strengthening the sponsorship rules. Could you speak more about that?

I too am very interested in that because I think that is where more of the load should fall, rather than back on the government for legal immigrants.

Mr. SMITH OF TEXAS. I appreciate your asking and let me respond to see if you want to follow up in any more detail. As things stand right now, our immigration laws require an individual to be a sponsor of an immigrant or a prospective immigrant who wants to come over to our country. And part of that requirement is that the sponsor has to say that they are financially able to take care of the immigrant to make sure that the immigrant does not become a "public charge," which is contrary to immigration laws.

There are two problems with that. First of all, the affidavit that the sponsors are required to sign saying that they have the financial resources to assure that this individual, this immigrant, will not become a public charge, is unenforceable and in fact never enforced. So you have a shell of a law in that particular instance.

The other problem is that on the other side, in the case of the consultants who are screening these individuals, over the last 5 years, only an average of about 2 percent have ever been excluded because they might become a public charge, which strikes many people as being a very, very low figure. So you have a problem on the end where the immigrants are actually applying, you have a problem on this end, because the affidavit of support is unenforceable and, therefore, you end up with a situation as we see, where immigrants are out of proportion as far as being on the welfare rolls.

And we also see, unfortunately, that the longer an immigrant is in this country, the more likely they are to find themselves on welfare, with the result that a typical immigrant receives 30 percent more than a typical citizen when it comes to total welfare benefits.

The other problem I mentioned is that for good or for bad, and this applies to a very small minority of immigrants, there are those individuals who, with the assistance of other individuals and organizations, do their best to game the system, to take advantage of the generosity of America. And that is why, for example, in one of the figures that I gave, you saw where the number of immigrants on SSI has increased 370 percent over the last 10 years, which is about 10 times as great of an increase as the population at large. So those are the kind of abuses that I hope that we can find ways to solve.

Mr. CAMP. Thank you.

There is a vote on. And I think we all better get there.

This hearing will recess until 10 minutes after the last vote.

I do just want to commend Representative Smith for your efforts in Texas on reforming welfare and general assistance, and let you know that I am very supportive of the direction that Representative Kleczka and McCrery are going with SSI reform, and appreciate your testimony in bringing that to the Committee.

The Subcommittee is in recess.

[Recess].

Chairman SHAW. We will reconvene.

We are sort of on uncharted ground right now, not knowing exactly what is going to go on with the House floor. I have asked the Members to take turns going back and forth like a tag team. For those of you who have not been on the floor, the problem that we are facing right now is that we are having 10 minutes debate on each amendment, and then a vote, 10 minutes debate, and a vote, 10 minutes debate, and a vote, which is going to be very disruptive to the process.

I would like to ask the Members of panel eight to come to the witness table, and we can go ahead and proceed.

Ms. Woolsey, I see you are with us.

Who else do we have on this panel?



OK, Mr. DeFazio, will you please join us. We have your written testimony, which will become a part of the record, and you may proceed as you see fit.

I would like to say one other thing for the last panel. I am going to make a point to be sure to get you through tonight, because I know some of you are from out of town, and I want to accommodate your schedule so you won't have to come back.

When we finish hearing from this panel, I will defer to our guests who are not our colleagues because we can have a makeup date for our colleagues.

OK, Mr. DeFazio you may proceed.

**STATEMENT OF HON. PETER A. DeFAZIO, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF OREGON**

Mr. DEFazio. Thank you, Mr. Chairman.

I am accompanied by Tandi Graff who is a member of my staff, and she will take most of my time. But what I would like to say to the Committee is that I think there is certainly broad agreement now on reform. The question is: Are there viable models out there, viable State models in particular?

I would like to offer the State of Oregon, in particular the JOBS Program in the State of Oregon, as a viable model, one with a good track record. In the 4 years of the JOBS Program, Oregon has had nearly 20,000 AFDC recipients get jobs through the program. And at this point, 79 percent of those people are still gainfully employed, and generally at an average wage of \$6 an hour, which in the State of Oregon is a pretty decent wage. It is not great, but it is a pretty decent wage.

Some of the proposals being considered by the Committee would be problematic. In particular, the restrictions on unwed teen mothers. I just had a wonderful visit with the Unwed Teen Mother Program in my State, and I would be happy to expand at some length on that, if the Committee has questions, and also the requirements requiring paternity establishment. But what I would like to do, Mr. Chairman, is defer the remainder of my time, and hope that perhaps you might even extend a couple of minutes to Tandi Graff on my staff who is a graduate of the JOBS Program and is now my Washington, DC, receptionist and her son Jordan who is with her here.

[The prepared statement follows:]

**Statement of Congressman Peter DeFazio  
Ways and Means Committee Hearing on Welfare Reform  
January 30, 1995**

Mr. Chairman, I appreciate the opportunity to speak before the Ways and Means Committee today. Everyone from policy wonks to recipients themselves agree that our welfare system needs reform; programs that foster self-sufficiency and serve as a ladder to climb. But when we reform a system that serves as the only safety net between poor and hungry families and a life of homelessness and desolation, we must move carefully. Our policy recommendations should reflect sound, academic research and the experiences of those receiving assistance. Our changes should be based on what programs work, not shallow, politically expedient rhetoric. Reforms should solve the problems of poverty and hunger, moving people off welfare for better lives. Cutting people off assistance without helping them reach self-sufficiency is denial, not reform. Changing welfare means making it work better for those it serves, not denying that they exist.

The Personal Responsibility Act pretends that if we punish the poor and ignore the resulting suffering, the problem will somehow go away. The problem will not go away. Taxpayers will pay for these problems whether they are addressed at the federal level or pushed to the state level. The PRA, in fact, proves to be the biggest unfunded mandate ever passed by this or any Congress.

I am proud to share with you the results of my home state of Oregon's approach to welfare. The Oregon Aid to Families With Dependent Children program is linked directly to the Oregon JOBS program, thus making Oregon's system highly successful. At the beginning of this biennium, experts predicted Oregon's AFDC caseload would increase by 12 percent. Remarkably, at the end of this biennium, Oregon's AFDC caseload will actually have been reduced by 5 percent since 1993. Given the expected increase, this decrease actually reflects a 17 percent decline in the Oregon AFDC caseload.

During the first three years of the Oregon JOBS program, the number of individuals placed in employment rose to more than 800 per month. The total number of clients finding work during that time total 19,450. Their average wage was \$6.00 an hour. After 18 months off welfare and in a job, 79 percent of the former AFDC recipients remain employed.

In Oregon, the number of low-income individuals in the state and the number coming into the state have remained constant with the previous years' averages, thus the JOBS program is credited with this significant reduction.

Oregon stands alone among its Western counterparts. While Oregon's AFDC caseload dropped, Alaska saw a 0.5 percent increase, California a 4.1 percent increase, Idaho a 5.2 percent increase, Nevada a 7.25 percent increase, and Washington a 0.82 percent increase.

Why is Oregon succeeding? Many Western states view their JOBS program as a separate program from their AFDC program, with little coordination between the two programs. Oregon sees its welfare program as a JOBS program with an emphasis on self-sufficiency and work for every client. Oregon meshes training and education with life skills and support services, concentrated on moving each individual toward permanent employment. Every AFDC client attends a JOBS orientation workshop, goes through a rigorous initial job search for 3 weeks with case management support to test their job readiness and the labor market, participates in the Life Skills course that helps to make AFDC clients "job-ready," and finally receives education, training and/or work experience at a site.

After the initial job search, AFDC clients are often depressed by their seemingly bleak employment prospects and further doubt their abilities. The search is necessary to

filter out easily employable clients and to expose clients to the market, but the Life Skills class is necessary to build clients self-esteem and to prepare them for success in the job market. The Life Skills class is attributed with part of Oregon's success. This course enables clients to become ready to work by improving their self-esteem, teaching interview skills and resume writing, adapting current life skills to the job market, educating about the work culture, planning living budgets, learning how to apply for a job, dealing with issues of emotional and physical abuse, and making them believe that a better life is possible.

Oregon's AFDC program focuses on work from the day the client enters the program until the day the client leaves the program for a job. Clients work with case managers to develop individualized plans based on their needs for advancement (counseling, drug/alcohol treatment, child care, transportation, food benefits, housing).

The Oregon JOBS program is strengthening Oregon families by moving parents into the world of work. Besides a paycheck, these families have higher self-esteem that regular employment brings to them, a better environment for their children, fewer problems related to poverty such as family violence and substance abuse and a greater chance to end generational poverty, especially for teen parents.

Unlike many other states, Oregon's JOBS program is locally driven, shaped by the AFDC office, community colleges, unemployment offices, child care providers and employment services -- it's owned by the community, thereby reducing the hostility toward welfare recipients. Community people believe in these partnership programs and know they work.

The state of Oregon has taken the responsibility to help build responsibility and self-sufficiency in individuals receiving AFDC. Oregon provides the necessary services to its AFDC recipients so they are empowered to move off welfare and into the workforce.

The Personal Responsibility Act (PRA) could seriously jeopardize my state's successful program. Oregon's AFDC program is effective without a punitive approach and accepts all eligible low-income families, regardless of their specific circumstances. The Personal Responsibility Act would dictate to Oregon who could participate in the AFDC program, reducing the eligible number, but not decreasing anyone's poverty or making them self-sufficient.

From my discussions with AFDC clients, I know that the Personal Responsibility Act won't solve the problem of poverty. Instead, it passes the problem off to my state with more regulation and less money to move people out of poverty.

Under the PRA, the categorical groups of people currently served and helped by the Oregon program would be excluded. These groups would -- regardless of their poverty -- be denied AFDC:

Unwed teen mothers:

- ▶ Unwed teen mothers under 18 and their children would be denied all AFDC benefits. States would be permitted to extend this provision to cover children born to unwed mothers under 21.
- ▶ The woman and her child become eligible for AFDC only if the mother marries the biological father or if the parent with custody marries someone who legally adopts the child.
- ▶ The child born out-of-wedlock wears the Scarlet Letter for life and is permanently ineligible for benefits, unless the mother married during the time period before 18, or 21 at the state's option. The woman only becomes eligible for AFDC with subsequent children after she has passed the state age-limit. If a non-teen woman

applies for AFDC when her child is seven years of age, but had the child as an unwed teen, the mother and the child remain ineligible because she had the child as an unwed teen.

- ▶ The Oregon AFDC and JOBS programs connect teen mothers back to the educational system. Eighty-five percent of the teens are in high school, the highest rate in the nation. Others are getting their GEDs.

#### Additional Children:

- ▶ Any additional child born while on AFDC or any child born while the mother received AFDC at any given point in the ten months before its birth is denied all benefits permanently.
- ▶ An additional child increases the AFDC benefit by \$65 a month. This is surely not an incentive to have more children when the cost of this child far exceeds the benefit.

#### Families playing by the rules, but unable to find work:

- ▶ States must set a maximum life-time welfare limit of five years, but states could make the limit as low as two years. Under the PRA, upon reaching the time limit established by a state, a family would be permanently barred from receiving both cash assistance and subsidized work slots. Regardless of recessions, high unemployment rates or lay-offs, no AFDC could be received after the time-limit expiration.
- ▶ The unemployment rate was 5.7% in Oregon in 1994.

#### Paternity:

- ▶ AFDC would be denied to children whose paternity has not been established legally. Exceptions are provided for cases of rape and incest when legally proven only if the state determines efforts to determine the paternity could result in physical danger to the mother.
- ▶ 29 percent of all children currently on AFDC do not have established paternity. Despite best efforts, 35.2% of all of our currently eligible children have no established paternity. This would deny over 19,000 children any assistance.
- ▶ On average, states take one-two years to establish legal paternity even after the mother has provided all necessary information. Children and their mothers would be denied AFDC during this period, even when the mothers cooperate.
- ▶ The Personal Responsibility Act has no provisions for child support enforcement to make fathers more responsible. In fact, the PRA caps the available funds for child support enforcement.

#### Legal immigrants:

- ▶ Legal immigrants would be denied all federal benefits, including AFDC, food stamps, housing assistance, job training, child care. These people pay the same taxes as citizens.
- ▶ In my state of Oregon, I know of several women who would be hurt by this provision. One woman immigrated from Germany thirteen years ago and worked for the last ten in an eleven dollar an hour job. One year ago she was laid off from her job and has been unable to find employment. She had to get a restraining order against her abusive husband. She would be denied aid under the PRA.

The PRA would drastically cap spending on a broad array of anti-poverty programs that Oregon uses to move people off welfare. This would cause Oregon a tremendous cost burden, ultimately, costing Oregon taxpayers millions in additional spending. The PRA sets

the cap at the amount appropriated on these programs the preceding year, spiraling down the amount of funding available each year. The cap includes: housing, child support enforcement (often seen as welfare prevention), child care, all food & nutrition programs, and the JOBS program.

The PRA requires states to have 50 percent of their AFDC recipients in work programs by 2003. In Oregon, only 25-30 percent of the AFDC program participants are currently in the JOBS program. There are more who wish to participate, but sufficient funding is simply not available to pay for job training. Oregon already far surpasses the necessary federal-state match to enable 25-30 percent to participate. With caps on all the anti-poverty programs, and cuts in the JOBS money, Oregon could never meet this demand without slashing other programs (ie education) or raising taxes.

Currently in Oregon, AFDC recipients who are ready to enter job training often have to wait over 2 months just to enter Life Skills and job training. The PRA requires work, but drastically cuts overall job training funding.

In addition, the PRA eliminates the entitlement status of food stamps and AFDC. Oregon would not get monies based on its needy, eligible population, but instead a yearly capped appropriation. There would be no extra money for recessions, natural disasters, or high unemployment.

Finally, the PRA repeals most JOBS rules, including what type of social services must surround mandatory work requirements, and forces recipients to work below minimum wage standards. States would not be required to provide any basic education services, occupational training or job search assistance. The federal government would be abandoning its responsibility to help these people move out of poverty.

Under the PRA, states would be required to establish a workfare program and meet a work participation rate (50 percent by 2003) in exchange for benefits. States could require any recipient -- regardless of how long she had received assistance or her particular circumstances or lack of social services -- to work in exchange for her benefits. No one would be exempt, even women caring for disabled kids.

The PRA would cut services Oregon uses to move people off welfare such as child care, JOBS, child support enforcement, and housing assistance. Without these programs, Oregon's poor would be far worse off and the state's successful JOBS program would be crippled. What Oregon does works!

I am proud to introduce an Oregon success story -- Tandi Graff.

**STATEMENT OF TANDI GRAFF, RECEPTIONIST, OFFICE OF  
REPRESENTATIVE DeFAZIO, EUGENE, OREGON**

Ms. GRAFF. Hi, my name is Tandi Graff, and I work for Congressman Peter DeFazio. I was an unwed 19-year-old mother who turned to the welfare system for help. When I became pregnant, I was enrolled in college, and I was trying to be responsible for my actions. I had been using birth control for a year. While I am prochoice, I couldn't choose abortion for myself, and giving my child away to another person to raise seemed tremendously irresponsible.

I was working while going to school, delivering pizzas until 1 and 2 o'clock in the morning. I searched for other jobs but without more experience, this job was the best that I could find.

I was pregnant during the winter, and terrified that the late hours and icy roads would jeopardize my baby. I finally quit my job to become a nanny, in exchange for room and board.

Thanks to the WIC Program I was able to receive nutrition counseling, parenting classes and breast feeding instruction. In addition to WIC, I was able to get quality prenatal care through the Medicaid Program. Without these programs, I wouldn't have known that I had a slow weight gain problem and wasn't eating enough calories.

Thanks to my medical care and WIC assistance, I knew that I had done everything possible to have a healthy baby. Fortunately, Jordan was born with no health problems.

The cheapest apartment that I could find cost \$295 a month. Without including clothes, toiletries and other baby expenses, my basic monthly needs exceeded my AFDC check by over \$100. Food stamps paid for our food, and, fortunately, my breast feeding helped cover most of my son's meals for the first year.

I went into great debt trying to live within these means and pay all my necessary expenses. Life on welfare was anything but luxurious and easy. I was constantly worried about how I would make it from day to day, and one extra bill could make doing laundry impossible.

When my son was 1 year old, I began the first phase of the JOBS Program, the job search. I had to make at least 10 job contacts a week. I was so discouraged. I knew that I could do so many of the jobs that I found, but without the experience, no one would give me a chance.

Finally, I was hired by a screen printing shop at \$5.25 an hour. I was able to keep my Medicaid, WIC and about \$20 in food stamps. With that my income was about \$840 a month, but I still had to pay \$100 a month for my child care above the subsidy that the government gave me.

My bills remained about \$500 a month, plus \$100 for day care and about \$150 for food. Luckily, my son's day care provided him with USDA nutritious breakfasts and lunches, making my food bills more affordable, but it still left me with a little bit under \$100 a month to pay back my debt that I had accumulated while I was unemployed, to buy baby clothes and other necessary items.

Without the child care subsidy and Medicaid, I wouldn't have made it. After 11 months at my job, I was laid off, and I was back

in the JOBS Program. I attended a life skills class that helped me learn interview skills and how to write a resume.

In addition, it helped repair my badly damaged self-esteem. Then I took a computer training course for 3 weeks. I was doing so well on the JOBS Program that I was offered a special opportunity to do my volunteer work experience with Congressman Peter DeFazio's district office.

I worked there for 2½ months and was actively looking for other jobs. Then the good news came, I was offered a job in the Congressman's Washington, DC, office.

The Oregon JOBS Program and AFDC Program gave me enough startup money to help me make the move, to pay my first month's rent and to fly my son to the District of Columbia. Without this help, the move would have been impossible. It was still extremely hard.

My child care costs are still exorbitant, and I receive a small day care subsidy from the DC government. I pay \$184.50 a month, and this is the cheapest place that I can leave my son that I feel is safe and clean.

Your proposal could have denied me aid as a young unwed mother. Your plan wants to cap the very job training that helped me to succeed. I cooperated with the county and State, but still the establishment of paternity took 4 months. I would have been denied benefits during this time.

I exceeded the 2 years on welfare and tried desperately to find a job, but they weren't available. I don't think we should encourage teenage pregnancy. Give teens birth control, counseling, education and real opportunities so that they have choices for a better life. But, I don't think we should punish innocent poor children for the choices of their parents. When you punish mothers for decisions you disapprove of, you only hurt the children and do nothing to improve their lives.

Reform welfare if you wish, but do so by making job and education training, better quality and more available. Do something about the lack of livable wage jobs, personalize each AFDC recipient's plan, don't penalize for marriage, and help those who want to work but need child and health care assistance. Solve the problem, don't ignore it.

I challenge you to hand in your paychecks for 1 month and live on welfare. You will discover that it is not a luxurious lifestyle. I had no self-respect. I knew I was a better mother during those times when I wasn't worried about paying for my basic survival.

Are you trying to get people off welfare by solving problems or are you punishing them for the choices that you disagree with? If you are trying to solve the problem, go back to the drawing board, and listen to people like me.

You may have to put out a little bit more money in the beginning for job and education training, but this saves you money in the long run. We need jobs that pay decent wages, we need day care assistance and health care. If you help us escape poverty, we, too, can be productive, taxpaying citizens. This would be a responsible government investment.

[The prepared statement follows:]

**Statement of Tandi Graff  
Staff Member of Rep. DeFazio, Former AFDC Recipient**

Hello. My name is Tandi Graff and I work for Congressman Peter DeFazio. I was an unwed 19 year-old mother who turned to the welfare system to feed and shelter my child and eventually find employment that paid me a livable wage. When I became pregnant, I was enrolled in college. I was trying to be responsible for my actions and had been using birth control for one year. While I am pro-choice, I couldn't choose abortion myself. And giving my child away for another person to raise seemed tremendously irresponsible.

I was working while going to school delivering pizzas until one and two o'clock in the morning. I searched for other jobs but without more experience, this job was the best I could find. I was pregnant during the winter and terrified that the late hours and icy roads and sidewalks might jeopardize my baby. I finally quit my job to become a nanny in exchange for room and board.

Thanks to the Women, Infant and Child Special Supplemental Nutrition Program, I was able to receive nutrition counseling, parenting classes and breast feeding instruction. In addition to WIC, I was able to get quality prenatal care through the Medicaid program. Without these programs, I wouldn't have known that I had slow weight gain problems and wasn't eating enough calories.

Thanks to my medical care and WIC assistance, I knew that I had done everything possible to have a healthy baby. Fortunately, Jordan was born without any health problems. I was using the Medicaid and WIC Program which gave me specific food coupons to buy about \$35 dollars worth of eggs, milk, cheese, juice, cereal and peanut butter. In addition, I received \$395 a month from AFDC and \$192 a month from Food Stamps. This totaled \$587 a month. I qualified for housing assistance and Section 8 rental assistance, but the waiting list was over three years long.

The smallest and least expensive one-bedroom apartment I could find cost \$295 month, diapers ran about \$40 month, monthly utilities including phone service cost \$75 month, laundry mat and detergent cost \$30 month and the gas and insurance for my \$600 car cost \$65 month. This totaled \$505 a month. The limited public transportation made it necessary for me to keep my car. Without including clothes, toiletries, and other baby expenses, my monthly needs exceeded my AFDC check by \$110. Food stamps paid for our food and fortunately my breast feeding helped cover most of my son's meals for his first year. For six months, I received \$50 from my son's father for child support before he lost his job. And I went into great debt trying to live within these means and pay all of my necessary expenses. Life on welfare was anything but luxurious and easy. I was constantly worried how I would make it from month to month and one extra bill could make doing laundry impossible.

When my son was one year old, I began the first phase of the JOBS program, the job search. I had to make at least ten job contacts a week. I was so discouraged. I knew I could do so many of the jobs I found, but without experience, no one would hire me. Finally, I was hired by a screen printing shop above the minimum wage at \$5.25 a hour. Under the JOBS program, I was able to keep my Medicaid, WIC, and about \$20 of Food Stamps. My income was \$840 a month, but I still had to pay \$100 a month above my child care subsidy for Jordan's care. My bills remained about \$505 a month plus \$100 for day care plus about \$150 for food. My son's day care provided him with USDA hot, nutritious breakfasts and lunches, making my food bills more affordable. This left me under \$100 a month to pay back my debt accumulated while I was unemployed and to buy baby clothes and other necessary items. I'll be in debt for years because of the time I was unemployed. Without the child care subsidy and Medicaid, I couldn't have made it.

After eleven months at my screen printing job, I was laid off. I went immediately back into the JOBS program to search for other alternatives. I had more self-esteem and self-respect when I was working and I know I was a better mother during those times when I wasn't worried about paying for our basic survival.

During this JOBS program job search, I only applied for jobs I could survive on. I was unsuccessful in finding any jobs so I entered the second phase of the Oregon JOBS program, the computer training and employment preparation for three weeks. During this time, the program insisted that everyone continue to make four job contacts a week. I also attended a Life Skills class that helped me learn interview skills and how to write a resume; in addition, it helped repair my badly damaged self-esteem after forty job rejections and gave me moral support during the frustrating search.



I was doing so well in the JOBS program that I was offered the special opportunity to do my work experience with Congressman Peter DeFazio's district office. I worked there for two and a half months and was actively looking for other medical and secretarial assistant jobs. Then, the good news came. I was offered a job in the Congressman's Washington, DC office.

The Oregon JOBS and AFDC programs gave me some extra start-up money to help me make the move, pay my first month of rent, and fly my son to D.C. Without this help, the move would have been almost impossible. Now, I can pay my own bills and be proud of what I do. My child care costs are still exorbitant so I receive a small day care subsidy from the D.C. government. I pay \$184.50 a month and this is the cheapest place I could leave my son that was safe and clean. He doesn't receive the attention and extra early childhood education I would like, but it's the only place I could afford. I work with him each night at home and I've brought extra books and puzzles to his day care. My goal is to get a two-bedroom apartment so my son has his own room and to make enough money to be able to afford quality, educational day care without subsidies.

Your proposal would have made it possible for my state to deny me aid as a young unwed mother. Your plan wants to cap the very job training that helped me succeed. I cooperated with the county and state, but still the establishment of paternity took four months. I would have been denied benefits during this time. I exceeded two years on welfare and I tried desperately to find a job, but they weren't available.

Give teens birth control, counseling, education, and real opportunities so they have choices of a better life. I don't think we should encourage teenage pregnancy, but I also don't think we should punish innocent poor children for the choices of their parents. When you punish mothers for decisions you disapprove of, you only hurt the children and do nothing to improve their lot in life.

Reform welfare if you wish, but do so by making job and education training better quality and more available. Do something about the lack of liveable wage jobs. Personalize each AFDC recipient's plan. Don't penalize for marriage and help those who want to work but need child and health care assistance. Solve the problem, don't ignore it.

I challenge you to hand in your paychecks and to live on welfare for a month. You'll discover that this is not a luxurious lifestyle. You might be eligible for Section 8 or public housing, but these programs have so little money that the waiting list is years long. It's difficult, trying, and discouraging. I had no self-respect when I was relying on AFDC.

I ask you one simple question: Are you trying to get people off welfare by solving problems or are you punishing them for choices you disagree with? If you're trying to solve the problem, go back to the drawing boards and listen to people like me. You may have to put out a little more money in the beginning for job and education training, but this saves you money you'll have to put out over years if you don't solve the problem. I only met one person the entire time I was on AFDC and in the JOBS program who wasn't desperate to work. Her husband was disabled and she wanted to care for him and her children, but eventually even she was excited about finding a job. We need jobs that pay decent wages, we need day care assistance, and health care. If you help us escape poverty, we too can be productive taxpaying citizens. This would be a responsible government investment.

Chairman SHAW. Thank you.  
Ms. Woolsey.

**STATEMENT OF HON. LYNN C. WOOLSEY, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF CALIFORNIA**

Ms. WOOLSEY. Thank you, Mr. Chairman.

Members of the Subcommittee, I thank you for allowing me the opportunity to testify today. My testimony is important to this debate, because I speak from experience, not from theory.

I was a welfare recipient 27 years ago. I know the faults of the welfare system firsthand; 27 years ago, I was a working mother, I was single, I had three small children, and in order for me to get the child care and the health care benefits that they needed, I had to rely on Aid For Dependent Children, even though I was working.

Make no mistake, I know the welfare system is broken. It doesn't work for the recipients, and it doesn't work for the taxpayers.

The question is how do we make the system work to get families off welfare for good? My solution is to invest in innovative job training programs, in reinventing the welfare office, and revolutionizing child support collection.

The Republican proposal, on the other hand, to get people and families off welfare, does so by gutting the system, leaving millions of children without support and possibly on the streets. Fortunately, the majority is already hinting that its plan to spend \$37 billion a year on government-run orphanages will not be pursued.

While I am relieved by this decision, the public should not be fooled into thinking that the rest of the Republicans' welfare reform plan, the Personal Responsibility Act, is not equally as damaging. The Personal Responsibility Act cuts off welfare benefits for millions of poor children, children who through no fault of their own are born to young, unmarried mothers.

The Personal Responsibility Act thwarts our effort to end childhood hunger by slashing funding for crucial programs, such as food stamps and school lunches, and the act's inflexible time limits will cast people off the welfare rolls permanently, regardless of whether there are jobs available.

In my case, I had good job skills, I had a good education, and I certainly was healthy, and it took me 3 years to get off welfare. Strict time limits, particularly on individuals that do not have the advantages I had, will only result in increased poverty, hunger, and homelessness.

The Republicans' block grant proposal will reap similar results. While I support the ability of States to experiment with welfare programs, giving the States spending power over crucial anti-poverty programs like food stamps and child care will hurt working Americans. Since pressure to cut these block grants will be strongest in years of recession, working Americans will be denied assistance just when they need it the most.

Wisconsin is a good case in point. While the State's welfare caseload has been reduced, and I applaud them for this, it has been reduced largely because of the State's growing economy. Yet, the number of children living in poverty is dramatically increasing.

Clearly, the key to welfare reform is to reduce the need for assistance, not the availability of assistance. We can start reducing

the need by implementing innovative training programs that prepare people for jobs that pay a livable wage. We can pass a welfare plan, no doubt about it, but it won't solve the welfare reform problem unless recipients can find jobs that they can afford to live on.

We must also reinvent the welfare office. We can do that by establishing a single, convenient location in each community where individual caseworkers assist recipients to make sure they get the job training and support services that they need, services such as child care and health care, so that they can permanently move into the work force.

Finally, we must revolutionize child support collection. A comprehensive welfare reform plan must recognize that the failure to collect over \$5 billion a year in child support, money that is owed each year to our children and money that is bankrupting our welfare system is not a State-by-State problem. As far as I am concerned, it is a national crisis, and it demands a national solution.

Mr. Chairman, I thank you for hearing my testimony. I look forward to working with you on welfare reform. I beg the Committee not to use poor children in our country as scapegoats, but rather to invest in their future so they can lead strong productive lives.

Thank you.

Chairman SHAW. Thank you.

Our next speaker will be Mr. Dickey of Arkansas.

**STATEMENT OF HON. JAY DICKEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS**

Mr. DICKEY. Thank you, Mr. Chairman, and Members of the Committee.

I would like to ask that my written statement be submitted for the record and then talk from it.

I can't testify firsthand like Congresswoman Woolsey can, but I can testify firsthand as to what I am hearing in my district. I have been told about the SSI disability abuse for many months now, over 2 years really, and I didn't believe it at first, I could not believe that something like this was going on, but as Lynn—Representative Woolsey—mentions, we have got to take care of the children.

The SSI disability, known in my district as the crazy check plan, is disregarding the kids. It is encouraging them to be disruptive in class, to be an exception to the learning process and to be considered outside of it for the benefit of the parents in getting and receiving money. And that money, of course, is not being used for the kids, in some cases.

I am not against any of these payments being given to people who are legitimately disabled. I know of a circumstance where a child had a speech impairment, and within 3 years was cured, was brought to where she could talk. It has been 7 years now, and she is still receiving SSI disability.

It has gotten to where in my district there is almost an intimidation factor. The elected officials are intimidated because it looks like we are insensitive and we don't care. The teachers are in the same situation, because they play a part in the behavioral disability determination, the teachers are intimidated, they have got enough to do as it is, and to have the parents come to them and

say, "declare my kid disabled" is a problem, and so they sign off, just to get the parents away so that they don't have to face attorneys and that sort of thing.

It is an amazing amount of money that is going down the drain. As I have said, we are losing not only the kids because they are not learning on purpose, the ones that this is being abused by, but we are also losing the people that are paying the taxes, they are becoming mighty discouraged, paying taxes and watching these sort of things happening.

We had a somewhat well-publicized circumstance in our district where the back payments were \$43,000, given to the parents, and the last thing that was told to that parent is, you know, you have to spend that money within 6 months or it will affect your welfare payments. When those stories get out, it affects us all, and we have got to somehow bring it into a reasonable type of solution.

I have filed a bill, H.R. 224, that says that we will treat this on a voucher basis, and I think it is a very simple bill. Of course, it would have to be, if I wrote it, but it just says that we are not going to pay the money, we are going to get out of the currency of dollars and go to vouchers so that if there is speech therapy that is needed, if there is counseling that is needed, that we pay the provider, and that we don't pay the parents.

I think in doing that, we will serve these groups of people in this order—the students themselves will become learners and won't be working the system, trying to be a nonlearner. We will help the economy, our government's spending program and help the deficit by not spending money that we don't need. We will help those people who are going month-to-month, paying taxes and seeing the waste that is going on in government in this particular circumstance.

I don't know why it is that there is a proliferation of this in my district, but it just seems that there are specific geographic pockets with this type of abuse going on. We could stop all of this with this bill or something that is equivalent to it.

I would sincerely like for you all to consider my testimony, consider the benefits of these restrictions, and bring some kind of solution to the problem.

Thank you very much.

[The prepared statement follows:]

**JAY DICKEY**  
4TH DISTRICT, ARKANSAS

COMMITTEE:

APPROPRIATIONS

SUBCOMMITTEES:

AGRICULTURE, RURAL DEVELOPMENT,  
FOOD AND DRUG ADMINISTRATION,  
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**Congress of the United States**  
**House of Representatives**

CAPITOL OFFICE:  
WASHINGTON, DC  
230 CANNON H.O.B.  
WASHINGTON, DC 20515  
(202) 225-3772

DISTRICT OFFICE:

PIKE BLUFF  
100 EAST 8TH AVENUE,  
SUITE 2021

PIKE BLUFF, AR 71801  
(801) 336-3578  
(800) 223-2230

MOT SPRINGS

100 RESERVE,  
SUITE 201

MOT SPRINGS, AR 71901  
(801) 823-8800  
(800) 541-8388

EL DORADO

101 SOUTH JACKSON,  
SUITE 201

EL DORADO, AR 71730  
(801) 863-0238

TESTIMONY

of

**THE HONORABLE JAY DICKEY**

Fourth District - Arkansas

Before the

**Subcommittee on Human Resources**  
**House Committee on Ways and Means**  
Regarding

**Abuse of the Supplemental Security Income Program**

JANUARY 30, 1995

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify regarding abuse in the Supplemental Security Income (SSI) program. I ask that my written statement be submitted for the record.

I have a strong interest in resolving the problems of abuse in the SSI program and have introduced legislation that would rectify the problem. H.R. 224 would convert cash SSI payments to medical vouchers in cases where the recipient is under age 18. I am aware of other proposed legislative solutions and am eager to support any and all efforts that will help these children.

Last year, I became aware of allegations that some parents encourage their otherwise healthy children to act "mentally disabled" in order to qualify for SSI benefits. I am alarmed at these reports.

I want to stress that I do not intend to diminish or trivialize the fact that deserving disabled children receive benefits from the SSI program. I am concerned, however, with some parents who encourage their children to misbehave in school to increase their chances of receiving SSI benefits.

Mr. Chairman, the problem with the child disability portion of the SSI program lies in the *definition* of a child's disability. Before 1990, the definition included a specific list of 182 disabilities, one or more of which the child must manifest. A claimant had to show that his or her impairment matched the criteria of the listed disabilities.

The new definition was derived by the U.S. Supreme Court in its 1990 decision *Sullivan v. Zebley*. It kept the list of 182 disabilities but added a step for those child claimants who did not meet the criteria of the list. That extra step allowed child claimants with "unlisted impairments" to show that they were equally disabled. These "disabilities" include any impairment which reduces the child's ability to grow, mature, or engage in "age

appropriate" activities. This has opened the door for parents who want to defraud the American taxpayer to encourage their children to act "inappropriate" for their age.

In addition, if a child's application was rejected under the previous and stricter definition, the Supreme Court has allowed those children to receive a lump-sum payment for the amount they would have received for the time elapsed since the application was rejected. However, they must spend it within six months. Lump-sum payments of \$15,000 to \$20,000 are not uncommon.

In Arkansas, allegations have arisen that parents use SSI benefits to buy items not directly related to the medical or therapeutic aid of the child: Taxpayer money, meant to benefit a disabled child, is being used to purchase television sets, video games, furniture, and automobiles.

If this were not already enough, each child in a family receives a separate payment. So, a family with three children, each receiving SSI payments averaging \$400 per month, would receive \$14,400 per year in tax-free government benefits. I read in the newspaper of another case where a family with nine SSI-eligible children received more than \$39,000 per year in tax-free benefits. None of the money was spent on therapy, however, since all nine children have therapy provided FREE under the early childhood intervention program.

Mr. Chairman, I asked the IRS to do some estimates of gross income which would yield a net yearly income of \$39,600, or a net monthly income of \$3,300. The IRS explained there are many variables based on the specifics of a given family situation, but generally they provided the following estimates:

For a family with 14 dependent children, with the mother and father residing at home, or with just one parent at home, they would have to earn a Gross Income of approximately \$85,150 dollars per year to realize a net monthly income of \$3,300. (This assumes allowed child and personal deductions [\$2,450 each], and a \$6,350 deduction for either joint filing, or head of household filing if just one parent is living in the home. It assumes the family is renting, with no other major deductions).

Just for comparison purposes, for a more average family of four -- mother, father and two dependent children, they would require approximately \$55,000 in gross income per year to realize a net monthly income of \$3,300, given the same basic deductions and assumptions as above.

Specifically, the following are eight cases of abuse that have been related to me in my southern Arkansas District:

- (1) In a family with nine children, five of those children are receiving SSI payments. All nine children were born out of wedlock before the mother's 25th birthday. The mother, herself, grew up on welfare and might be termed a product of the welfare system.

- (2) The brother of the mother in case #1 lives with his girlfriend and 6 children, four of whom receive SSI benefits. Without a doubt, the family is living in poverty. The community brought food to the family for both Thanksgiving and Christmas last year. However, the mother acknowledges she has used SSI payments to finance a gambling trip.
- (3) One mother has eight children, one of which receives SSI benefits. The father of the children sexually abused 6 of the eight children and is now serving a prison sentence, but not before he used the \$3,000 SSI back payment to buy drugs and alcohol. The family has no furniture in the house and they generally live in filthy circumstances. The children have obviously not benefited from SSI.
- (4) A woman with two children, both of whom are receiving SSI, has been very vocal about not wanting her children to receive help for their disabilities, in fear of losing their SSI benefits.
- (5) A family with two children receive SSI for one child who was diagnosed at age 3 with a speech impairment. Speech therapy helped the child overcome the speech impairment. The child is now 7 years old, she has been out of speech therapy for 3 years, but continues to receive SSI benefits.
- (6) One mother receives SSI for each of her five children, even though the children do not live with her. In conjunction with the monthly payment, she also received a large back payment of SSI benefits. It is doubtful her children are benefiting from any of this money.
- (7) A family of 9 receives \$2300 per month in SSI benefits. The parents also have significant mental problems and are unable to properly manage their own financial resources, let alone \$2300 SSI payments. In the end, the children do not benefit from the SSI program.
- (8) All eight children of one mother were born out of wedlock and receive SSI payments. Again, all eight children are enrolled in special education classes at school, even though the school has recommended that five of the children be dismissed because they are performing on their age appropriate grade level. The mother refuses to acknowledge this fact, however, in fear of being denied the SSI benefits.

Mr. Chairman, I respectfully request that this subcommittee include reform of the SSI program as part of the welfare reform package. My constituents are very interested in seeing this problem resolved. Addressing the problem in the context of welfare reform will go a long way to solve the problem.

Thanks for the opportunity to bring this issue to the attention of the committee.

Chairman SHAW. Thank you.

I have a short statement that Bill Emerson asked me to read into the record, in that he is chairing what is going on in the House now and can't appear with this panel. Representative Bill Emerson is Chairman of the Subcommittee on Department Operations and Nutrition of the House Agriculture Committee.

He will not be able to testify in person because he is chairing a hearing on unfunded mandates. Mr. Emerson is very interested in welfare reform and intends to work closely with Chairman Shaw and the Human Resources Subcommittee.

[The prepared statement of Mr. Emerson follows:]



## STATEMENT OF THE HONORABLE BILL EMERSON

SUBCOMMITTEE ON HUMAN RESOURCES  
COMMITTEE ON WAYS AND MEANS  
JANUARY 30, 1995

THANK YOU MR. CHAIRMAN. I APPRECIATE YOUR KIND INVITATION TO APPEAR BEFORE THIS SUBCOMMITTEE TO DISCUSS A VITAL SUBJECT. I WANT TO TAKE THIS OPPORTUNITY TO SET FORTH MY IDEAS ON REFORMING THE WELFARE SYSTEM. I AM GUIDED BY THE WORDS OF ABRAHAM LINCOLN "THE DOGMAS...OF THE...PAST ARE INADEQUATE TO THE PRESENT. WE MUST THINK ANEW AND ACT ANEW." I BELIEVE IT IS ESSENTIAL TO CAREFULLY DEFINE WHAT IS CONSIDERED TO BE WELFARE AND WHICH PROGRAMS SHOULD BE INTEGRATED WITH ONE ANOTHER AS WE CONSIDER REFORM OF THE PRESENT DEBILITATING SYSTEM NOW IN PLACE.

THERE ARE PROGRAMS THAT PROVIDE PUBLIC ASSISTANCE DIRECTLY TO INDIVIDUAL FAMILIES THROUGH CASH BENEFITS OR FOOD COUPONS; PROGRAMS PROVIDING WORK OR TRAINING TO GET ABLE-BODIED PEOPLE TO WORK; PROGRAMS THAT PROVIDE MEALS IN SCHOOLS AND OTHER INSTITUTIONAL SETTINGS; PROGRAMS THAT PROVIDE DISTRIBUTION OF COMMODITIES TO HUNGRY PEOPLE; AND, PROGRAMS LINKING HEALTH AND FOOD. THE ACTUAL NUMBER OF PROGRAMS AVAILABLE TO NEEDY FAMILIES IS IN EXCESS OF 125, WITH 80 OF THESE PROGRAMS CONSIDERED MAJOR PROGRAMS WITH A COST IN EXCESS OF \$300 BILLION IN FEDERAL, STATE, AND LOCAL TAX DOLLARS. THERE ARE MORE PROGRAMS NOW FOR PROVIDING PUBLIC ASSISTANCE TO POOR FAMILIES THAN ANY TIME IN THE PAST, SERVING MORE PEOPLE AND COSTING MORE MONEY. THERE MUST BE A BETTER WAY TO HELP LOW-INCOME PEOPLE BECOME TAXPAYERS. WE CURRENTLY HAVE A WELFARE MAINTENANCE SYSTEM, NOT ONE DESIGNED TO PROVIDE TEMPORARY ASSISTANCE AND HELP PEOPLE RECLAIM OR GAIN A LIFE.

MOST NEEDY FAMILIES COMING IN TO SEEK PUBLIC ASSISTANCE NEED HELP IN AT LEAST THREE CATEGORIES: CASH AND THE ACCOMPANYING MEDICAL ASSISTANCE, FOOD, AND, HOUSING. THE RULES AND REGULATIONS FOR THESE PROGRAMS ARE DIFFERENT AND IN MANY CASES CONFLICTING. IT DOES NOT MAKE SENSE FOR THE FEDERAL GOVERNMENT TO SET UP PROGRAMS FOR POOR FAMILIES AND THEN ESTABLISH DIFFERENT RULES FOR ELIGIBILITY. WE NEED ONE PROGRAM THAT PROVIDES A BASIC LEVEL OF ASSISTANCE FOR POOR FAMILIES; SETS CONDITIONS FOR RECEIPT OF THAT ASSISTANCE, INCLUDING WORK; AND THEN LIMIT THE AMOUNT OF TIME FAMILIES CAN RECEIVE PUBLIC ASSISTANCE. SINCE THE PROBLEMS FACING THESE FAMILIES IN MISSOURI ARE NOT THE SAME AS THOSE FACING FAMILIES IN FLORIDA, OR NEW YORK CITY, OR KANSAS CITY, I BELIEVE THAT STATES MUST BE ALLOWED TO DEFINE THE ELIGIBILITY CRITERIA FOR THIS NEW PROGRAM, WITHIN THE BROAD GUIDELINES ESTABLISHED BY CONGRESS.

OVER THE PAST TWELVE YEARS I HAVE SERVED EITHER AS RANKING REPUBLICAN ON THE NUTRITION SUBCOMMITTEE OF THE AGRICULTURE COMMITTEE AND OR THE SELECT COMMITTEE ON HUNGER. I HAVE LOOKED AT THESE WELFARE PROGRAMS IN DEPTH; I HAVE VISITED SCORES OF WELFARE OFFICES, SOUP KITCHENS, FOOD BANKS; I HAVE SPOKEN TO THOSE ADMINISTERING THE WELFARE PROGRAMS AND THE PEOPLE RECEIVING THE ASSISTANCE. I AM VERY CONCERNED ABOUT WHAT I SEE AS A "TURF PROBLEM" IN THE HOUSE AS WE CONSIDER REFORMING WELFARE. COMMITTEES TAKE A PAROCHIAL VIEW OF WELFARE REFORM AND LOOK ONLY TO THE PROGRAMS OVER WHICH THEY HAVE JURISDICTION. FOR EXAMPLE, WAYS AND MEANS SEES

IT AS BASICALLY AFDC; ECONOMIC AND EDUCATIONAL OPPORTUNITY SEES IT AS JOB TRAINING; AND, AGRICULTURE AS FOOD ASSISTANCE. I DO NOT PRETEND TO HAVE ALL OF THE ANSWERS TO THE PROBLEMS FACING US IN THIS WELFARE REFORM DEBATE; I DO KNOW THAT I WANT TO COOPERATE WITH THIS COMMITTEE, AND OTHERS, TO DEVELOP PROGRAMS THAT HELP ABLE-BODIED PEOPLE RECEIVING ASSISTANCE BECOME TAXPAYERS; PROVIDE BENEFITS TO THOSE WHO CANNOT WORK; AND, PROVIDE FLEXIBILITY TO THOSE ADMINISTERING THE PROGRAM.

I LEARNED DURING MY YEARS SERVING ON THE SELECT COMMITTEE ON HUNGER THAT ANY ONE PROGRAM DOES NOT COMPREHENSIVELY PROVIDE WELFARE FOR POOR FAMILIES; IT TAKES TWO OR MORE OF THE CURRENT PROGRAMS TO PROVIDE A BASIC LEVEL OF HELP. WHEN THERE ARE TWO OR MORE PROGRAMS WITH DIFFERENT RULES AND REGULATIONS PEOPLE FALL THROUGH THE CRACKS IN THE SYSTEM AND ALSO TAKE ADVANTAGE OF THE SYSTEM. THIS MUST STOP. HOW ANYONE COULD DEFEND THE PRESENT STRUCTURE AND SYSTEM IS A PUZZLE TO ME; UNLESS IT IS PERSONS WHO BENEFIT ILLICITLY FROM THE FRACTURED WELFARE MESS WE FIND OURSELVES IN TODAY, BE THEY WELFARE RECIPIENTS WHO TAKE ADVANTAGE OF THE SYSTEM OR ADVOCATES WHO THRIVE ON THE POWER DERIVED FROM ESTABLISHING NEW PROGRAMS. ADVOCATES OF A HUMANE SYSTEM, A COST-EFFECTIVE SYSTEM, AN EFFICIENT SYSTEM, A SYSTEM THAT HELPS PEOPLE UP, OFF AND OUT COULD FIND LITTLE SOLACE IN THE CURRENT SYSTEM.

OVER THE PAST YEARS I HAVE COME TO THE CONCLUSION THAT AN EFFECTIVE WELFARE SYSTEM IS ONE THAT ENCOMPASSES WHAT I REFER TO AS ONE-STOP-SHOPPING. WE NEED A LOT OF INTEGRATION, CONSOLIDATION, AND AUTOMATION AND NONE OF THESE "TOOLS" IS MUCH A PART OF THE SYSTEM AT THIS TIME. THIS CONCEPT TAKES THE MULTIPLE WELFARE PROGRAMS NOW IN PLACE AND TRIES TO BRING SOME COHESION TO THEM.

ONE GOOD EXAMPLE IN THE WELFARE REFORM SCHEME IS THE PROGRAM IN DELAWARE, SET UP BY OUR COLLEAGUE MICHAEL CASTLE AND HIS PREDECESSOR, PETE DU PONT, WHEN THEY WERE RESPECTIVELY GOVERNOR. DELAWARE IS AS "STATE OF THE ART" IN DOING A GOOD JOB AS YOU CAN GET IN THE CURRENT MAZE OF FEDERAL REGULATIONS. IN ORDER TO ACHIEVE THE REFORM DELAWARE WANTED, THEY HAD TO APPLY TO THE FEDERAL GOVERNMENT FOR A MYRIAD OF WAIVERS. DELAWARE, BEING THE MICROCOSMIC STATE THAT IT IS, WAS ABLE TO DO THIS WELL. OTHER STATES HAVE SOUGHT OR ARE SEEKING WAIVERS FROM THE FEDERAL RULES AND REGULATIONS TO ESTABLISH SOME TYPE OF REFORM OF THE PRESENT WELFARE SYSTEM. GOVERNORS IN PARTICULAR RECOGNIZE THAT THE SYSTEM IS BROKEN AND NEEDS TO BE FIXED. THIRTY STATES HAVE SOUGHT OR ARE SEEKING WAIVERS FROM THE FEDERAL GOVERNMENT TO REFORM ALL OR A PART OF THE STATE WELFARE SYSTEM.

IT IS AMAZING TO ME THAT THIS MANY STATES HAVE SOUGHT TO CHANGE THE WELFARE SYSTEM THEREBY RECOGNIZING THE FAILURE OF THE PRESENT SYSTEM, WITHOUT ANY ACTION ON THE PART OF CONGRESS TO CHANGE THE SYSTEM AS WELL. THERE HAS ALSO BEEN A RECALCITRANT BUREAUCRACY, AND THERE IS A TURF PROBLEM IN THE BUREAUCRACY THAT PROBABLY EXCEEDS THE TURF PROBLEM IN CONGRESS. HOW MANY MORE STATES MIGHT TRY TO INSTITUTE REFORMS BUT FOR THE MAZE OF BUREAUCRACY THEY MUST GO THROUGH TO ACHIEVE WAIVERS? WHAT WE HAVE NOW IS NOT A WELFARE SYSTEM AIMED AT MOVING FAMILIES OFF OF WELFARE AND ONTO THE TAXPAYERS ROLLS, BUT A MAINTENANCE SYSTEM THAT THWARTS STATE INITIATIVE AND DIVERSITY AND POORLY HELPS POOR FAMILIES, EXASPERATES THE FRONT LINE ADMINISTRATORS RUNNING THE PROGRAMS, AND IS A FRUSTRATION AND BURDEN TO THE PEOPLE PAYING FOR THIS DISASTROUS SYSTEM.

I CONSIDER THE ONE-STOP-SHOPPING APPROACH COMPATIBLE WITH THE CONCEPT OF BLOCK GRANTS, GIVING STATES THE AUTHORITY TO DESIGN A COMPREHENSIVE WELFARE PROGRAM UNDER BROAD GUIDELINES ESTABLISHED BY CONGRESS, WITH APPROPRIATE ACCOUNTABILITY TO ASSURE PROPER EXPENDITURE OF THE TAXPAYERS' MONEY. STATES HAVE BEEN THE LABORATORIES FOR CHANGE. THEY CAN ADAPT TO THE UNIQUE REGIONAL OR PAROCHIAL CIRCUMSTANCES MUCH QUICKER THAN THE FEDERAL GOVERNMENT.

I WANT TO HELP REFORM THE SYSTEM; I WANT TO CHANGE THE WAY WE DELIVER THIS HELP TO POOR FAMILIES; AND, I WANT TO DO IT IN AN EFFICIENT, COMPASSIONATE, AND COST-EFFECTIVE MANNER.

THANK YOU MR. CHAIRMAN. I APPRECIATE THIS OPPORTUNITY TO SHARE MY VIEWS WITH THE COMMITTEE. I LOOK FORWARD TO WORKING WITH YOU AND OTHER MEMBERS OF THE COMMITTEE.

Chairman SHAW. At this point, I would ask if there are any colleagues that wish to inquire.

Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

Mr. BECERRA. Mr. Chairman, I have not had a chance to—

Mr. RANGEL. Congressman Dickey, I—

Chairman SHAW. Oh, I am sorry, I beg your pardon. I forgot Congressman Becerra.

I didn't see you take your place there. I beg your pardon.

Please proceed as you wish. Your full statement will be made a part of the record.

**STATEMENT OF HON. XAVIER BECERRA, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. BECERRA. Thank you, Mr. Chairman. I would ask that my written statement be submitted for the record.

I would like to first begin by thanking the Chairman and, of course, all the Members of the Committee for convening this particular hearing on welfare reform. And I would say that we have reached that juncture where we can reach for some meaningful reform in welfare and the whole debate on this system.

Unfortunately, I come here today to express my great concern with the welfare proposal that is under consideration, H.R. 4. The most widely publicized provisions of H.R. 4 would drastically restrict funds and eligibility for Aid to Families with Dependent Children, the AFDC Program.

If this proposal were in full force today, there are estimates that at least 5 million children, more than half of the AFDC workload, would lose all cash assistance. These are not the only disconcerting aspects of H.R. 4, in my mind, however.

This legislation not only proposes to cut off at least half of the children currently receiving benefits, it also intends to cut legal immigrants off from the very start. Though they have received less attention than other provisions of the bill, the provisions of H.R. 4 that address immigrant eligibility for Federal benefits are breathtaking in their scope.

H.R. 4 would completely withdraw the safety net from nearly all immigrants, including legal immigrants, immigrants who have been invited into this country by excluding them from some 52-odd programs. Immigrants would be barred from all the major Federal programs for job training and human investment, as well as those that provide nonemergency health care, nutrition, housing, and cash assistance for women, children, seniors, and persons with disabilities.

For example, the following people that I describe would be deemed unworthy of support under H.R. 4—a pregnant woman who is a legal immigrant would not be eligible for WIC, Women Infant and Children Program, though she is preparing to give birth to what will be a U.S. citizen; a 7-year-old child legally present in the United States would be denied foster care and adoption assistance upon the death of her parents; a 23-year-old woman legally present in the United States forced to flee her home from an abusive husband could be denied services coordinated by a battered woman's shelter; a 35-year-old man granted political asylum here after flee-

ing torture in his native land for his religious beliefs and, therefore, legally present in the United States, could be ineligible to receive canned goods from the food bank run by his local church. A 60-year-old woman who immigrated legally when she was 15 years of age and who has worked in the United States all her life would be rendered ineligible for Medicaid to treat a dangerous condition of her heart.

The savings which accrue as a result of denying benefits to legal immigrants represents less than 3 percent of the total budget of the affected programs. The total savings over 4 years which comes from block grants, capping funding and ending entitlement status, comes to less than 1 percent of the national budget.

I strongly support reappraisal of our welfare system and government spending. In this case, however, it seems that a great number of people would be hurt for almost an insignificant financial gain. The Nutrition Block Grant Program which would withdraw an average of 13 percent of Federal funding from States, would also exclude immigrants, but consider this: First, following World War II, the Congress approved the National School Lunch Act "as a measure of national security to safeguard the health and well-being of the Nation's children."

Second, the Child Nutrition Act of 1966 was enacted "in recognition of the demonstrated relationship between food and good nutrition in the capacity of children to develop and learn."

And, third, in 1982, the Supreme Court held in the case of *Plyler v. Doe*, that immigration status is irrelevant when the right to education is considered.

One must ask is the health and well-being of our children no longer an issue of the national security? For decades our government at every level has recognized the value and the consequences associated with nutrition and protection of our children. Just recently on January 24, 1995, President Clinton in his State of the Union Address, thoughtfully declared: "I still don't think we can in good conscience punish poor children for the mistakes of their parents."

I encourage this panel and this Congress to reject any proposal that has as its base a return to segregation. This time, segregation where one group is stigmatized and denied access to programs simply because the group's members were not born in this country, regardless of how productive, how patriotic or how deserving they may be.

Except for voting and working in certain classified government positions, legal immigrants undertake every single responsibility that U.S. citizens do, including paying the same taxes and defending this country in time of war. By some estimates, legal immigrants pay in excess of \$25 billion more in taxes to all levels of government than they take out in public services. Legal immigrants serve this country in virtually every respect, risking their lives and fortunes to protect and promote the United States of America.

In conclusion, Mr. Chairman, I would only urge that this Congress be mindful that in reforming welfare, our country's most important resource is its people, especially its children. To neglect them would be a prescription for disaster.

Mr. Chairman, in a country as industrious and progressive as ours, we can reform with reason for the welfare of our people.

Thank you, Mr. Chairman.

[The prepared statement follows:]

XAVIER BECERRA  
30th DISTRICT, CALIFORNIA

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-0530**

TESTIMONY OF REPRESENTATIVE  
XAVIER BECERRA  
BEFORE THE WAYS AND MEANS  
SUBCOMMITTEE ON HUMAN RESOURCES  
JANUARY 30, 1995

Good afternoon. I would first like to thank Chairman Shaw and the members of the subcommittee for convening these important hearings on the issue of welfare reform. There is no question that we have reached a juncture where meaningful reform can be had.

Unfortunately, I come here today to express my great concern with the welfare proposal under consideration, HR4. The most widely publicized provisions of HR4 would drastically restrict funds and eligibility for Aid to Families with Dependent Children. HR4 would also eliminate the food stamp and other federal nutrition programs. These programs would be consolidated into a block grant to the states with substantially less funding made available thereby.

If this proposal were in full force today, at least 5 million children -- more than half of the AFDC caseload -- would lose all cash assistance.

These are not the only disconcerting aspects of HR4. This legislation not only proposes to cut off at least half of the children currently receiving benefits, it also intends to cut legal immigrants off from the very start.

Though they have received less attention than other provisions of the bill, the provisions of HR4 that address immigrant eligibility for federal benefits are breathhtaking in their scope. HR4 would completely withdraw the safety net from nearly all immigrants, including legal immigrants -- immigrants who were invited to this country -- by excluding them from 52 programs. Immigrants would be barred from all of the major federal programs for job training and human investment, as well as those that provide non-emergency health care, nutrition, housing, and cash assistance for women, children, seniors, and persons with disabilities. For example, the following people would be deemed unworthy. Under HR4:

- . A pregnant woman who is a legal immigrant would not be eligible for WIC, even though she is preparing to give birth to what will be a U.S. citizen.
- . A 7-year-old child, legally present in the United

States, would be denied foster care and adoption assistance upon the death of her parents.

- . A 23-year-old woman, legally present in the United States, forced to flee her home from an abusive husband, could be denied services coordinated by a battered women's shelter.

- . A 35 year-old man, granted political asylum here after fleeing torture in his native land for his religious beliefs, and therefore legally present in the United States, could be ineligible to receive canned goods from the food bank run by his local church.

- . A 60-year-old woman who immigrated legally when she was 15 years old, and who has worked in the United States all her life, would be rendered ineligible for Medicaid to treat her dangerous heart condition.

The rationale behind excluding these people is that the 18 billion dollars "saved" would be better used elsewhere. In fact, the savings which accrue as a result of denying benefits to legal immigrants represent less than 3% of the total budget of the affected programs. The total savings over four years which come from block grants, capping funding, and ending entitlement status, comes to 59 billion dollars, which is less than one percent of the national budget.

I strongly support a reappraisal of our welfare system and government spending. In this case, however, it seems that a great number of people would be hurt for an almost insignificant financial gain.

The nutrition block grant program, which would withdraw an average of 13% of federal funding from states, would also exclude immigrants. But consider this:

1. Following World War II, the Congress approved the National School Lunch Act "as a measure of national security, to safeguard the health and well-being of the nation's children."
2. The Child Nutrition Act of 1966 was enacted "in recognition of the demonstrated relationship between food and good nutrition in the capacity of children to develop and learn."
3. In 1982, the Supreme Court held in the case of Plyler vs. Doe that immigration status is irrelevant when the right to education is considered.

Is the health and well-being of our children no longer an issue of national security? Is there some new evidence disproving the relationship between nutrition and learning? Is it the intent of HR 4 to change our constitution?



For decades, our government at every level has recognized the value -- and the consequences -- associated with nutrition and protection of our children. On January 24, 1995, President Clinton in his State of the Union Address thoughtfully declared "I still don't think we can in good conscience punish poor children for the mistakes of their parents."

Reports indicate that the Senate will not pass welfare reform legislation which would cut off benefits to immigrants. Other proposals floated in the House of Representatives would allow individual states to decide whether immigrants will be barred from aid. I encourage this panel and this Congress to reject any proposal that has at its base a return to segregation -- this time, segregation where one group is stigmatized and denied access to programs simply because the groups' members were not born in this country, regardless of how productive, patriotic, or deserving they may be.

Except for voting and working in certain government classified positions, legal immigrants undertake every responsibility that U.S. citizens do, including paying the same taxes and defending this country in time of war. By some estimates, legal immigrants pay in excess of \$25 billion more in taxes to all levels of government than they take out in public services. Legal immigrants serve this country in virtually every respect, risking their lives and fortunes to protect and promote the United States of America.

In conclusion, I would only urge that this Congress be mindful that in reforming welfare our country's most important resource is its people, especially its children. To neglect them would be a prescription for disaster. Mr. Chairman, in a country as industrious and progressive as ours, we can reform with reason for the welfare of our people.

Mr. RANGEL. I just wanted to thank the panel for their testimony and apologize that it is coming so late in the evening.

Chairman SHAW. Thank you all.

We are going to recess. The next panel that I will call up is the final panel, with Rev. Fred Kammer, Mary Nelson, Rabbi David Saperstein, and Larry Jones. They will be properly introduced when we come back.

The status of the House floor schedule is that we have a 15-minute vote on the floor, of which there is probably about 7 or 8 minutes left, and this will be followed by a 5-minute vote, then we will be back to conclude the hearing with the final panel.

In regard to the panel immediately preceding this one, we will decide later this evening whether to offer the time to them this evening or to put them off until another date, but they are made up of our colleagues who are going to be here anyway and available, so they will be heard.

We will stand in recess.

[Recess.]

Chairman SHAW. If Rev. Frank Kammer and Mary Nelson, Rabbi David Saperstein and Rev. Larry Jones would come to the witness table.

Reverend Kammer, if you would proceed. We have each of your written statements that will be made a part of the permanent record. You may proceed as you see fit.

**STATEMENT OF REV. FRED KAMMER, S.J., PRESIDENT,  
CATHOLIC CHARITIES USA, ALEXANDRIA, VIRGINIA**

Reverend KAMMER. Thank you. My name is Fred Kammer. I am the president of Catholic Charities USA. We are pleased to have this opportunity to testify about the need for welfare reform. We agree with many of your goals to modify welfare policies in such a way as to strengthen families, encourage work, and give children a better chance to escape poverty.

We hope to share our experience to help you shape a plan that will reach those goals without creating other unintended adverse consequences.

Catholic Charities USA is the Nation's largest private social service network. With 1,400 agencies and institutions, and 272,000 staff and volunteers, our programs serve 10.6 million people a year. People of all religious, racial, social and economic backgrounds come to us for assistance.

In 1993 we helped almost 136,000 pregnant women and teenagers and their families in need of health care, education, job training and placement, child care, and a safe place to live.

We care for 20 percent of all the children in this country who are in foster care, group homes and residential treatment. "Orphan-ages" are us.

We have 250 years of experience in this country in helping unmarried mothers in a variety of settings. Through recent decades of trial and error and changing sexual mores in the Nation, we have learned a lot about how to protect children and help parents to support them. As the social services arm of the Catholic Church, we have strong views on illegitimacy, teen pregnancy, and sexual activity outside of marriage. We oppose them.

Our tradition of Catholic social teaching and our many decades of practical experience lead us to support authentic welfare reform that would help these children and families.

On the other hand, even well-intentioned efforts at reform could easily backfire, leaving us with more dependency, more child abuse and neglect, more teen pregnancy, and even more abortions.

This Committee has heard testimony from theoreticians that the current welfare system is so bad it could not be made worse by reforms. Some have argued that abolition of AFDC or elimination of benefits for many children would actually reduce illegitimacy.

If there were any convincing evidence that out-of-wedlock pregnancy could be significantly reduced by these measures, we would be in the forefront of support. But neither the National Conference of Catholic Bishops nor Catholic Charities USA supports proposals to exclude children from AFDC because of their births to unmarried teens, to mothers already on welfare, or where legal paternity has not been established.

We do so precisely because such proposals would hurt the children without necessarily changing their parents' behavior.

In the interim, while we wait to see if these theoretical steps will reduce illegitimacy, what will be the human consequences to millions of children who will be born into a society that denies that they are entitled to any financial support?

Based on the experience of our member agencies, we have concluded that the child exclusion provisions in the proposed act would have the following disastrous consequences: An increase in the numbers of abused and neglected children who wind up in foster care, an increase in abortions among teenagers and other women, and an increase in teen pregnancy.

Now, how can proposals designed to reduce teen pregnancy have the opposite result?

After consultation with those who counsel and assist pregnant teens throughout the country, we have learned what any parent of a teenager could tell you, that teens have trouble thinking ahead and anticipating the consequences of their actions, that teens are prone to all kinds of risk taking, with the highest risks often being the most attractive, that many young girls have nothing in their present or future lives as attractive as a baby to love and that their fantasies are more real to teens than reality, such as employment or welfare.

Reducing teenage sexual activity and pregnancy is a job for our whole society and frankly, the problem exists in every economic strata and among all racial and ethnic groups. Relying on welfare changes to solve what is a societywide problem, is unrealistic, counterproductive and will temporarily lull people into thinking the problem has been solved. Some witnesses have told this Committee that a combination of denial of welfare aid and aggressive adoption counseling will do the trick.

But our agencies have been placing children for adoption for over 100 years. We work hard with pregnant teens and women to help them see the wisdom of adoption. But we all too often see the results of aggressive adoption promotion that pressures mothers into unwillingly surrendering their babies.

Even with the infant placed in a loving home, the mother, feeling coerced, quickly becomes pregnant again. The result is two babies born to that teenager, rather than one, and the second baby is usually not offered for adoption, but is subject to all the risks well-known to this Committee.

We often see the same result with teens who have abortions. After one, two, or three abortions, the young girl eventually goes through with the pregnancy to replace the baby aborted or given up. We call this an atonement baby.

The teen parent provision was apparently designed without consultation with people who have direct experience with pregnant teens.

Our experts have an alternative proposal for the Committee. We certainly do not support the status quo for teen parents. We support denial of cash assistance to unmarried mothers under 18 who do not live with their own families or under the supervision of responsible adults.

We agree that girls under 18 cannot care for themselves, much less for children, without the advice, care, and supervision of caring adults.

They should not be handed AFDC checks and sent on their way.

On the other hand, we cannot rely on families alone to handle these problems. Unlike the untried, experimental solution in the Personal Responsibility Act that would make children born to teenage mothers permanently ineligible for AFDC and housing aid, we propose a plan based on 10 years of studied experience among our agencies.

Our programs provide intensive family counseling, parenting training, tutoring, child care, and other assistance to pregnant teens and young mothers, whether they live with their families or in one of our residences for mothers and babies.

Our programs have an impressive success rate, with 70 to 85 percent of their graduates completing school and job preparation, finding jobs and working their way off welfare in just a few years.

Few have repeated pregnancies or fail to become good mothers. The availability of AFDC and related benefits for these young mothers and children, however, is critical to our program's success. AFDC income allows them to complete their high school educations and prepare for the world of work without sacrificing their children's safety.

In these cases, AFDC is a bridge to self-sufficiency and these mothers cannot make it across the chasm without that bridge, as we heard in Tandi Graff's testimony earlier this evening.

Our concern for children and their parents and for proper incentives and supports to help them move from poverty to self-sufficiency leads us to several other concerns about the proposed act. We are opposed to a family cap provision as untested, dangerous, and cruel. We oppose rigid lifetime limits for AFDC in the face of chronic and systemic unemployment.

Chairman SHAW. Father, if you could conclude your remarks, I would appreciate it.

Reverend KAMMER. Let me just conclude with this: We have heard a great deal of analysis that the proposals in the act would soon slash 5 million children from the AFDC, and some have said

that the support for these children would come from charities and churches.

The churches and charities, beginning with our own, say this would produce a tidal wave of hungry and homeless kids and moms, a torrent of newly abused children and profoundly wrong social and moral outcomes.

I would like to thank you, Mr. Chairman, for the chance to share our experience and our concerns as you develop the Subcommittee's bill.

We stand ready to work with you for authentic welfare reform.  
[The prepared statement follows:]

**Testimony Regarding  
The Personal Responsibility Act  
Before the Committee on Ways and Means,  
Subcommittee on Human Resources  
United States House Of Representatives  
January 30, 1995**

**Presented by Fred Kammer, SJ,  
President, Catholic Charities USA**

Catholic Charities USA is pleased to have this opportunity to testify about the need for welfare reform. We agree with many of the goals of this Subcommittee to modify welfare policies in such a way as to strengthen families, encourage work, and give children a better chance to escape poverty.

We hope to share our experience to help the Subcommittee to shape a welfare plan that will reach those goals without creating other unintended adverse consequences.

Catholic Charities USA is the nation's largest private social service network. With 1,400 agencies and institutions, 48,000 staff and over 200,000 volunteers, Catholic Charities programs serve 10.6 million people a year. People of all religious backgrounds and from every racial, social, and economic background come to us for everything from food and shelter to marital and family counseling; from affordable housing for the elderly to substance abuse treatment for young workers; from care of newborns to care of the dying.

In 1993 we helped almost 136,000 pregnant women and teenagers and their families in need of health care, education, job training and placement, child care, and a safe place to live.

We care for 20 percent of all the children in this country who are in foster care, group homes and residential treatment. "Orphanages" are us.

We have 250 years of experience in this country in helping unmarried mothers-

- ✓ those who live at home with their own parents or grandparents;
- ✓ those who have run away from intolerable abuse;
- ✓ those who have been thrown out of their homes; and
- ✓ those who decide to place their children for adoption.

Through recent decades of trial and error and changing sexual mores in the nation, we have learned a lot about how to protect children and help parents to support their children emotionally as well as financially.

As the social services arm of the Catholic Church, we have strong views on illegitimacy, teen pregnancy, and sexual activity out of marriage. We oppose them.

We work to help young people and adults to avoid not just out of wedlock pregnancy and births, but the behavior that leads to these consequences.

Our tradition of Catholic social teaching and our many decades of practical experience lead us to support authentic welfare reform that would strengthen families, promote employment, and reduce child poverty.

On the other hand, we must oppose proposals that we are convinced would cause greater suffering of children without reducing the underlying problems and pathologies.

Clearly, the current welfare system needs reform, but even well-intentioned reforms could easily backfire, leaving us with more dependency, more child abuse and neglect, more teen pregnancy, and even more abortions.

This Committee has heard testimony from many theoreticians who have argued that the current welfare system is so bad that it could not be made worse by "reforms." Some have asserted that

abolition of AFDC or elimination of benefits for children of unmarried teens for additional children born to a family on AFDC, and other measures would actually reduce out of wedlock births, at least among low income teens and women.

You can be sure that if there were any convincing evidence that pregnancy could be significantly reduced among unmarried teens and women by these measures, we would be in the forefront of support.

I suggest that you ask yourselves why neither the National Conference of Catholic Bishops nor Catholic Charities USA supports these proposals that would exclude children from AFDC because of the circumstances of their births to unmarried teens, to mothers already on welfare, or to children for whom legal paternity has not been established.

The answer to that question is that such proposals would hurt the children without necessarily changing the behavior of their parents. Financial penalties can have only very modest results, and those can only be achieved over many years.

In the interim, while we wait to see if these steps will reduce illegitimacy, what will be the human consequence to the millions of children who will be born into a society that denies that they are entitled to any financial support?

Based on the experience of our member agencies over many decades with millions of mothers and babies, we have concluded that the "child exclusion" provisions in the Personal Responsibility Act would have the following disastrous consequences:

- ✓ an increase in the numbers of abused and neglected children who wind up in foster care;
- ✓ an increase in abortions among teenagers and other women; and
- ✓ an increase in teen pregnancy.

#### TEEN PREGNANCY

Now, how can proposals designed to reduce teen pregnancy have the opposite result?

After consultation with hundreds of people who counsel and assist pregnant teens throughout the country, we have learned what any parent of teenagers could tell you--

- ✓ that teens have trouble thinking ahead and anticipating the consequences of their actions;
- ✓ that teens are prone to all kinds of risk-taking, with the highest risks often being the most attractive;
- ✓ that many young girls have nothing in their present or future lives as attractive as a baby to love; and
- ✓ that their fantasies are more real to teens than any reality, such as their inability to earn money or get it from the welfare department.

Reducing teenage sexual activity and pregnancy is a job for our whole society, and frankly, the problem exists in every economic strata and among all racial and ethnic groups. Relying on welfare changes to solve what is a society-wide problem is unrealistic, counter productive, and will temporarily lull people into thinking the problem has been solved--leading to a tragic waste of time needed to get down to real solutions.

Some witnesses have told this Committee that a combination of denial of welfare aid and "aggressive adoption counselling" will do the trick.

Catholic Charities agencies have been placing children for adoption for over 100 years. We work hard with pregnant teens and women to help them see the wisdom in making an adoption decision.

But we all too often see the results of "aggressive adoption" promotion that pressures mothers into unwillingly surrendering their babies. The results are dreadful for the mother and for society. Even with the infant placed in a loving home, the mother, feeling coerced by a lack of other options or support, quickly becomes pregnant again.

The result is two babies born to that teenager, rather than just one. And the second baby is usually not offered for adoption, but is subject to all the risks well known to this Committee. We often see the same result with teens who have abortions. After one, two, or three abortions, the young girl eventually goes through with a pregnancy to replace a baby aborted or given up. In the trade we call this an "atonement baby."

The teen parent provision was apparently designed without consultation with people who have direct experience with pregnant teens.

Our experts have an alternative proposal for this Committee.

We certainly do not support the status quo for teen parents.

We support denial of cash assistance to unmarried young mothers, under 18, who do not live with their own families or under the supervision of responsible adults.

We agree that girls under 18 cannot care for themselves, much less for children, without the advice, care and supervision of caring adults.

They should not be handed AFDC checks and sent on their way.

On the other hand, nor can we rely on families alone to handle these problems. Unlike the untried, experimental solution in the Personal Responsibility Act that would make children born to teenage mothers permanently ineligible for AFDC and housing aid, we propose a plan based on 10 years of growing experience among our agencies.

Our programs provide intensive family counseling, parenting, training, tutoring, child care, and other assistance to pregnant teens and young mothers, whether they live with their parents or in one of our residences for mothers and babies.

Our programs have an impressive success rate, with 70 percent to 85 percent of their graduates completing school and job preparation, finding jobs and working their way off welfare in just a few years.

Very few have repeat pregnancies or fail to become good mothers. The availability of AFDC and related benefits for these young mothers and their children is a critical factor on the success of our programs. AFDC income allows them to complete their high school educations and get ready for the world of work without sacrificing the safety and well being of their children. In these cases, AFDC is a bridge to self sufficiency, and these young mothers cannot make it across the chasm without that bridge.

#### **"FAMILY CAP"**

We are also concerned that the so-called "family cap" provision will damage children before and after they are born. It is too early to know the results of the New Jersey experiment, but our crisis pregnancy counselors fear that there will be additional unwanted abortions of children purely for economic reasons.

If AFDC benefit levels provided adequate incomes to support children, the family cap would not be so dangerous. But AFDC benefits are woefully inadequate in every state. Denying aid for an additional child is cruel when the family is already trying to survive on an income of one half to three fourths of the poverty level.

Middle income families get well earned state and federal tax deductions to help them cope with the higher costs of raising an additional child. In many states, families with incomes of over \$50,000 a year get more monthly disposable income from those tax advantages for an additional child than families on welfare get for another child.

At the very least, this Committee should await a comprehensive study of the outcomes of the New Jersey experiment with the family cap before extending the experiment to the newborn children in the rest of America.



## TIME LIMITS

We are also concerned about the rigid lifetime limits for AFDC as proposed in the Personal Responsibility Act. As many Republican and Democratic governors have pointed out, despite their best efforts, there will not be jobs for all parents who need them. In fact, every time the official unemployment rate dips below 6 percent, the Federal Reserve raises interest rates and throws more people out of work.

While we support welfare reform that will encourage, even require, and assist parents to prepare for, find, and keep jobs, we cannot support proposals that would deny aid to parents for whom there are no jobs.

## IMMIGRANTS

Catholic Charities agencies served over 200,000 refugees and immigrants in 1993. Services included help with family reunification; education, legal and employment services; and language classes. Immigrants resettled by Catholic Charities agencies moved quickly into jobs to become self-sufficient and contribute to the economy.

Current law requires that families support a reunited member during the first five years that they are in the United States. We believe that all families should stay together when possible, and our agencies assist families to become reunited. However, sometimes immigrants can not support themselves after five years. An illness, disability, or old age can result in an inability to work and to become a citizen.

The vast majority of immigrants that Catholic Charities assist do not need public assistance. We should not turn our backs on the relatives of hard working immigrant taxpayers who do need assistance.

## INVESTING IN FAMILIES

As James Q. Wilson told this Committee ten days ago, there is a broad consensus that many of the social problems of this nation can be traced to the breakdown of families. While that diagnosis is clear, the remedies are elusive.

Family breakdown and the failure to form families are endemic now in all segments in our society, including those which are insulated by substantial resources from the necessity for contact with the welfare system. While the extent of family breakdown and lack of family formation and their effects are far worse at the bottom of the income scale, it is not at all clear that the availability of AFDC and other benefits is a major factor.

The lack of strong evidence for a direct causative link between welfare and family problems should inspire us all to caution about radical changes in welfare policy to solve profound family problems. In welfare policy, as in medicine, the prescription should be, "First, do no harm."

Our vision for welfare reform is substantially different from that of the proposed Personal Responsibility Act. We, too, would like to see the numbers of families reduced who are dependent on welfare. We, too, want to insist that all parents fulfill their responsibilities to their children and to society.

We are disappointed that the Personal Responsibility Act includes no new funding for day care, for children whose parents are trying to get off or stay off welfare. Our agencies report long waiting lists for their day care centers and family day care homes. Our social workers find that a major reason why mothers drop back on the welfare rolls after one to two years is that their subsidized child care ends one year after leaving AFDC. Child care, even by untrained, unregulated, unsupervised providers can easily consume up to one third of a mother's take home pay for just one child. Welfare reform cannot succeed without more federal dollars in child care for low income families.

We agree with the governors who have testified in favor of more flexibility and an end to "one size fits all" welfare policies. But just as that should apply to the states, so should it apply to

families. Some parents can become self-sufficient with the small investment of child care subsidies alone. Others will need much more training, including on the job training, remedial education, and even very basic instruction and counseling about how to dress and behave on the job.

There has been much speculation about the ability of private charities and churches to fill the new huge gap in the safety net that would be created if all of the provisions of the Personal Responsibility Act were enacted into law. Of course, the religious groups and non-profits that shoulder the bulk of charity and services for the poor have all indicated that the magnitude of the cuts contemplated in the Personal Responsibility Act would bankrupt their institutions. It is interesting that of the witnesses who have testified before this committee in favor of shifting the burden to the private sector, not one represents the churches and charities that do the work.

#### CONCLUSION

Our founder could feed 5,000 people with a few loaves of bread and fish, and while we may try the same, it is neither sound social policy nor responsible government to put people's lives in jeopardy in hope of miracles.

Reputable analyses indicate that the family cap and other proposals in the Personal Responsibility Act would soon slash 5 million children from AFDC. Where will these five million children find help? From charities and churches, say the sponsors. The churches and charities, beginning with our own, say this would produce a tidal wave of hungry and homeless kids and moms, a torrent of newly abused children, and a profoundly wrong social and moral outcome.

Thank you, Mr. Chairman, for this chance to share our experience and concerns. As you develop the Subcommittee's bill, we stand ready to work with you. Like the governors and others who have testified here, we believe that welfare reform is urgently needed but that some of the provisions of the Personal Responsibility Act need revision to meet the dual goals of reducing dependency and protecting children.

Chairman SHAW. Thank you, Father.  
Ms. Nelson.

**STATEMENT OF MARY NELSON, BETHEL NEW LIFE, INC.,  
CHICAGO, ILLINOIS; AND EVANGELICAL LUTHERAN  
CHURCH IN AMERICA**

Ms. NELSON. Thank you for the opportunity to share with you this evening. I am here on behalf of the Evangelical Lutheran Church in America, which has over 5 million members and 11,000 congregations across the country, and I am also here on behalf of our own church-based community development corporation, Bethel New Life, on the West Side of Chicago, and to share our reflections from the "underbelly" of the situation.

Our neighborhood on Chicago's West Side, 25,000 people, 40 percent of them living on incomes below the poverty level, is a microcosm of the situation in this country. We ran a 5-year demonstration program to test out—under the White House Interagency Working Group to test out whether or not a community-based church-related alternative could be more effective and less costly than the present welfare-to-work system.

We indeed were successful, but we learned a lot of hard lessons and we would like to share those with you. The first was, and it made us really angry that of the 500 AFDC women in this demonstration, over 50 percent of them could not read at a sixth grade reading level. Having been a former principal of a high school myself, I know that it isn't the kids that are dumb. It is certainly that our system is failing, particularly in our inner cities, and so our country is cranking out our next generation of people who are going to need assistance to get into the work force. You cannot get a job in today's society with less than a sixth grade reading level.

So people who are eager to work had to stop and get literacy training and had to defer the kinds of goals and the kinds of opportunities that were there before them. We have to do both. We have to deal with both the current need for literacy and also, deal with the schools so we aren't cranking out the next generation of people unprepared to work.

Second, health care. Ninety percent of our job placements did not have health care benefits for themselves or the family involved with them; we had people who had to quit work because an elder family member got Alzheimer's and they had to stay home and take care of them, or because a son dropped off of a back porch and broke a number of limbs and they had to stay home and take care of that.

The recidivism point in terms of welfare is indeed where they lose their health benefits so that Congress shouldn't think about any of these tinkering if you are not going to worry about health care and health insurance.

And third then—and related to that was the question of work, that most of the jobs in the Chicago area are out in the suburbs, and there is not adequate public transportation to get to those jobs. And so the gap between where people live and where the jobs are is also an issue. Support of public transportation is a critical piece of all of this.

Finally then, the question of day care, affordable, accessible day care in walking distance or near mothers. We did a unique demonstration in which we helped identify women who were eager to become day care home providers, trained them—and these were welfare recipients—to be self-employed and to do day care; we then found that they couldn't get licensable places to live, and so we included them in our self-help new housing construction. And so women became homeowners, self-employed, and provided day care in the community at very little cost to anybody singularly.

One of the women who had been on welfare 14 years at the time of the dedication ceremony, when she stepped into her new house and the mayor and everybody else was there, when the reporters came up to her and said, "How does it feel now to be a homeowner and self-employed?" She said, "Oh, I have always wanted to work. I just didn't have day care. I didn't have transportation and I didn't feel good about myself." And it seems to me this woman and her comment summed up a lot of research about welfare recipients and the need to deal with all three of those aspects.

What needs to be done then to make this work? Nobody chooses poverty. I can tell you that not a single participant in any of our programs chooses poverty, and so—and most of the women in the program really did want to work, but there are a lot of barriers to that.

Second, it seems to me we need to be encouraging the community-based church-based kinds of alternatives that are there. Just like we do on the empowerment zone where we give employers tax credits to hire people from the zone, we need to think about ways to encourage the corporations to do on-the-job training and to bring welfare recipients into their situations to even think about employer-based day care that might make it affordable and accessible to the participants.

And so we really do need to figure out ways to work in partnership. The churches alone cannot take on the burden of all of the welfare recipients, as some have stated, "we will let the churches do it." We would be inundated and collapsed to try to make that happen.

And finally, our experience says that punitive measures aren't the way to make it work. People want something better. We have to then say as long as somebody is really trying and moving up the ladder—whether it is going to school or doing all these other things—that we need to allow them that opportunity to get the assistance from AFDC or whatever it takes for them to make it work.

A positive approach is needed. Looking at outcome-based kinds of goals that are bottom line, we can move people into the work stream. Simply cutting dollars is not productive. We need bottom line kind of results—helping people move into self-sufficiency.

Thank you.

[The prepared statement and attachment follow:]

Testimony Submitted by  
 Mary Nelson - Bethel New Life, Inc.  
 for the  
 Lutheran Office for Governmental Affairs & Bethel New Life, Inc.  
 of the  
 Evangelical Lutheran Church in America (ELCA)  
 to the  
 Subcommittee on Human Resource of the Committee On Ways and Means  
 January 30, 1995

*After 14 years on welfare and living in a basement hovel with raw sewage dampening her floor, moving into a brand new home and starting self employment as a day care home provider marked a brand new beginning for Nora. It wasn't easy completing her day care training and putting in over 1,200 hours of sweat equity in helping to build the brand new home. At the dedication ceremony she wept for joy. "How does it feel to be self employed, to be working?", reporters asked her at the event. Her quick response was, "Oh, I always wanted to work, I just didn't have day care, I didn't have transportation, I didn't feel good about myself."*

My name is Mary Nelson and I have lived and worked on the west side of Chicago for the last 30 years. Our community changed from white to black in the mid 1960's and suffered the subsequent disinvestment, redlining, lack of City services and overcrowding of the schools. Twenty five thousand people now live in the square mile area; 42% are living on incomes below the poverty level, over 30% on some kind of assistance. Our community is a microcosm of the "underbelly". Bethel Lutheran Church has been in the midst of the community for over 105 years; Bethel New Life, Inc., a social ministry organization of the Evangelical Lutheran Church in America, is an outgrowth of the community ministry of the Church. In 15 years of effort, Bethel has developed almost 1,000 units of affordable housing (much of it sweat equity), places almost 400 people a year in full employment, and brought in over \$65 million in new investment in a credit starved community. It is currently working to bring in new industries around the recycling remanufacturing sectoral approach, to enable more employment in the area.

Bethel conducted a five year demonstration of an alternative to welfare for AFDC mothers. It was authorized by the White House Interagency Working Group under President Reagan, and was entitled Bethel Self Sufficiency Program (BSSP). The program tested the cost neutral effectiveness of a community based approach. We worked with 500 AFDC families (most of whom had been on welfare 4 or more years) in a program which included motivational workshops, pre-employment training, skill training and employment assistance. Original simplistic plans were complicated by a number of realities:

**\*\*Over 50% of the women could not read at a 6th grade level, the minimal level for acceptance by most employers. So, women eager to work first had to stop and enter literacy programs, and struggle with learning to read before they could find employment. No matter what our country may do for the current AFDC recipients, if we don't do something about the inequities in educational effectiveness in our inner cities, we will have generations of people to come without the basic skills needed for employment.**

**\*\*Availability of health care services are a critical ingredient. In the current system in Illinois, an AFDC mother who becomes employed carries her Medicaid eligibility for only 12 months. 90% of the employers of the participants in our program did not offer a family health plan, and so it often happened that when a child got sick, the mother was forced back on welfare to get health care. Studies in Illinois show that the major recidivism back to welfare happens at whatever point former AFDC recipients lose their Medicaid eligibility.**

**\*\*Availability of affordable, accessible day care is also an essential ingredient for the transition and maintenance to work. On most entry level positions, mothers cannot afford the \$65 a week for day care, and often leave their children in dangerous makeshift care arrangements. We took this need and developed a multifaceted approach. We identified some of the participants who were interested in being day care home providers, provided the day care training and enabled them to be self employed. As we worked with them towards licensure, finding affordable, licensable homes was a problem, so we incorporated our self help housing program. Women did sweat equity work on constructing the homes to earn their down payment for a home where they would live and operate their business. Out of this, then, came a three for one result: twenty six women went off welfare and became self employed as day care providers, garbage strewn vacant lots became new homes of ownership and pride, and affordable, accessible day care within walking distance of every mother in the community was realized.**

Bethel currently is involved in Operation Jumpstart, a welfare to work program for General Assistance recipients. We have seen young men recently out of jail have whole new futures as they obtained job experiences in caring settings. With some we had to work through their problems (homelessness, etc.) and the church helped put together furniture and provided "tough love" through the ups and downs. Now many of these participants are in full employment and setting goals for themselves. But without a community-based, opportunity surrounded with personal relationships that come out of a faith commitment and opportunities, they would not have made it.

I am sharing these experiences with you as not only a representative of Bethel New Life, Inc. but also as a part of the Evangelical Lutheran Church in America (ELCA) whose Division for Church in Society's "Working Principles for Welfare Reform" (principles are attached) reflect our own grass roots experience. I am also on the board of the Christian Community Development Association (CCDA), a national network of church-based community ministries in low income communities; I am also Vice Chair of the National Congress of Community Economic Development (NCCED) a network representing the over 2,000 community economic development efforts across the country, making a difference in low income communities with creative job creation, expansion and business development efforts.

It is out of my experience in the community that I share the following precepts:

- 1) There is a need for change in the current system. We need a more effective and efficient system. We support and welcome the opportunity to rethink what we are doing and why. There is a need for public dialog and openness on the changes.
- 2) Most current welfare recipients want something better for their kids, want to work. Whatever we do as a government and society needs to have the underlying assumption of the dignity and worth of every individual. In God's sight, we are equally created and loved.
- 3) When thinking about mandating work, there needs to be cognisance of what jobs are available, whether they are livable wage jobs with a future, and what pre-employment training and skills are needed. As mentioned above, even if there were sufficient available livable wage jobs (in our area that is \$8 an hour), there needs to be a way of dealing with health benefits, day care and public transportation. Many of the existing jobs in our area are in locations not accessible by public transportation.
- 4) This is a complex problem and will require complex solutions. No one at this time has all the answers. There needs to be time and freedom to try some different approaches to identify the most workable solutions.
- 5) Community based church related approaches are in most instances more effective and more efficient. People are transformed by relationships. Using the resources of the community is also less costly and provides a more long term solution. However, in distressed communities with high numbers of welfare recipients, such community efforts need financial support from the public, private, and church sectors.
- 6) Government, individuals on welfare, the private sector (corporations, etc.), the faith community, and the voluntary sector all need to work together to forge solutions. We all need to participate. We all have responsibilities and roles.

## WHAT ARE THE IMPLICATIONS OF THE PROPOSED WELFARE LEGISLATION?

**\*\*Giving states broad flexibility to design their own welfare systems makes sense, but there needs to be a floor, a "safety net" of basic human dignity and life. We suggest that states present plans that hold a promise of being more effective in moving people into productive activity and independence with a future, not just saving money.**

**\*\*The punitive measure of limiting welfare benefits to five years or two years at state option in and of itself would only bring human misery and hardship. The move from welfare to work, in our experience, takes time, and two years is unrealistic for most. We have also found that incentives are more productive than sanctions. We have no problem with responsibilities for the recipient, as long as they are realistic and move towards positive outcomes.**

**\*\*Denying teenage mothers welfare, or denying recipients who have more children is the recipe for misery and inhumanity. We need a policy focused on positive outcomes, on enabling people to move into the workforce for the long haul. Studies show that the more teenagers have a sense of future, the less likely they are to have children in their teenage years. We ought, then, to enable decent education that allows entry into the workforce at livable wage jobs. Population growth studies also show that as people move up the economic ladder, they have fewer children. So, economic opportunity is a more effective way to stem population growth.**

**\*\*Welfare reform should encourage partnerships between government, individuals, the community and the corporate sector. Government has responsibilities (life, liberty and the pursuit of happiness). Policies should encourage corporations to intentionally open up employment and "On the Job Training" for welfare recipients (much as the Empowerment Zone incentives do). Government should encourage employer based day care and the provision of health benefits along with employment. Churches and community groups should be assisted in enhancing the community resources necessary to work with families towards independence and full employment. For example, the Low Income Housing Tax Credit has encouraged joint efforts of corporations, intermediaries, community developers and government in creating low income housing in community settings. The solutions will require all the parties to be involved. If government pulls back on its commitment of support, we and other human service providers would become overwhelmed and unable to continue present services. Programs would be cut, people would be left unserved, and it is likely that some social ministry organizations would have to close their doors. Of the \$2.3 billion income of the network of Lutheran Social Ministry Organizations which provide a vast array of human services, 52.6% is government funded. Without this partnership our success would be limited if not totally abrogated.**

The Evangelical Lutheran Church in America is a church with 5,234,568 baptized members, 11,055 congregations, and approximately 275 social service institutions. Some analysts have rated the Lutheran Social Ministry Organization network to be financially the largest such network in the country.

Mary Nelson  
Bethel New Life, Inc.  
367 N. Karlov  
Chicago, Illinois 60624  
(312) 826-5540

The Lutheran Office for Governmental Affairs, Evangelical Lutheran Church in America (ELCA),  
122 C Street NW, Suite 125, Washington, DC 20001. For further information contact Kay Bengston,  
(202) 626-7942.

# WORKING PRINCIPLES FOR WELFARE REFORM

These principles, based on ELCA related social statements, were affirmed by the Board of the Division for Church in Society, as the current basis for ELCA public policy advocacy related to welfare reform and for the purpose of ongoing deliberation in the ELCA.

March 11, 1994

EVANGELICAL LUTHERAN CHURCH IN AMERICA  
(E.L.C.A.)

DIVISION FOR CHURCH IN SOCIETY

DEPARTMENT FOR STUDIES

8765 W. HIGGINS RD.

CHICAGO, IL 60631-4190

800/638-3522, EXT. 2710



The current public welfare system is in need of significant reform. *The purpose of these working principles is to clarify the bases for ELCA public policy advocacy regarding legislative proposals for reforming the welfare system, especially the federal Aid to Families with Dependent Children (AFDC) program. Many of the principles are also applicable to welfare-related proposals at the state level.*

Poverty is the underlying problem welfare programs seek to alleviate. The Evangelical Lutheran Church in America (with its predecessor churches) has a long and extensive history of involvement in this area. The ELCA-affiliated network of social ministry organizations is financially the largest such non-profit network in the country. Many of these organizations have long histories of serving people in situations of poverty (presently serving over 300,000), including significant work in the area of refugee resettlement. The women's organization of the ELCA has taken initiatives to respond to women living in poverty. Many of the 11,000 ELCA congregations are reaching out to people living in poverty in their communities through social service efforts (such as food programs and shelters), through pastoral care, and through advocacy and organizing efforts.

These principles presume and build upon the biblical, theological, and ethical understandings articulated in the social statements of the ELCA and its predecessors, as indicated in the endnotes. In these social statements, the ELCA has, among other things, committed itself to "defend human dignity, to stand with poor and powerless people, and to advocate justice."<sup>1</sup> The economic sector, families, and voluntary associations play important roles in this. However, the focus in these principles is on the role of government.

In 1986-87, a "More than Charity" campaign (of the church bodies that formed the ELCA) held hearings on poverty and welfare reform throughout this country. Out of this process came "Guiding Principles in Social Welfare Reform," which have informed the development of the following principles. In 1993 the ELCA adopted a many-faceted strategy on "Women and Children in Poverty," as a priority emphasis for the rest of this decade. That strategy recognizes that, in addition to the many kinds of church-based assistance, policy and practices that create and sustain poverty need to be challenged and changed.

The following format sets forth:

**Some basic theological affirmations, grounded in Scripture, the confessions, and the social statements of the ELCA.**

Some ethical interpretations and implications of these theological affirmations for the discussion of welfare reform today.

*Some specific public policy positions that can be deduced from the above.*

In moving from broad affirmations to specific positions, ELCA members are likely to have significant differences and to give different weight to the various principles. As a church we encourage ongoing deliberation as to what policies will best serve God's intentions for persons in community. Although the positions cited here are intended to serve as a current basis for ELCA public policy advocacy, they are subject to change in the future, especially through the study and deliberative processes that will occur as part of the development of an ELCA economic social statement.

**THE OBLIGATION OF GOVERNMENT:** The government's obligation under God includes establishing justice, protecting and advancing human rights, and promoting the general welfare of all persons.<sup>2</sup>

Government has the responsibility to help meet the needs and uphold the rights of those who are at the margins of the economic system.<sup>3</sup>

*Government is responsible to establish just welfare policy. This includes determining who receives welfare and raising necessary revenues.*

REFORM OF THE SYSTEM OF GOVERNMENT-PROVIDED WELFARE SHOULD BE CONSIDERED IN LIGHT OF SOME BASIC AFFIRMATIONS ABOUT HUMAN BEINGS...

**DEPENDENT ON GOD:** As human beings we are dependent on God for all we have and are.<sup>4</sup>

None of us are truly "self-sufficient," "deserving," or autonomous. These distinctions are only relative and should not be used to separate some people (i.e., those on welfare) from others, as if they were somehow of less value.

*Welfare policies that make distinctions between persons who are "deserving" and those who are "undeserving" need to be questioned.*

*"Self-sufficiency," although an important goal in welfare reform, should not necessarily be seen as the only or highest goal in all cases.*

**INTERDEPENDENT WITH MUTUAL RESPONSIBILITIES:** Human beings are intended by God to live in interdependent relationships with one another. It is in the basic human relationships of domestic, political, and economic life that persons share in their common humanity.<sup>5</sup> A society and the persons in it have mutual responsibilities toward one another.

In the public realm, this interdependence is reflected in income-support programs that transfer funds from taxpayers to a designated group of persons within a society. Most citizens, at some time during their lifetime, are both payers and receivers of public transfer payments, some of which are means-tested (e.g., welfare programs), others of which are not (e.g., Social Security, Medicare, veteran benefits, unemployment compensation).<sup>6</sup>

*Welfare reform should be motivated not primarily by the cost to taxpayers but by a sense of interdependence and responsibility toward all people.*

Government is especially obligated toward those who are the most vulnerable. Structures and supports are required to undergird the development of skills and capabilities needed for persons to function in society and thus live out their obligation to contribute toward the social good.

*Welfare reform should seek to enable persons to rise out of poverty, affirm their human dignity, and empower them through education, training, and services to achieve long-term economic sufficiency.*

*Long-term economic sufficiency cannot occur apart from adequate social, structural, and relational support, including stable families, safe communities, adequate schools, preparation for, access to, and opportunities for jobs.*

*When persons cannot generate an income adequate to live in a decent, humane way, a safety net must continue to be available to meet their basic needs.*

*Persons fulfill their obligation to society not only by becoming economically self-sufficient, but also by contributing to the common good of a society in other ways (e.g., caring for children).*

**HUMAN DIGNITY AND BASIC NEEDS - All human beings are entitled to the basic necessities of a dignified, humane existence and/or to the means of securing such. A right is what justice requires in response to particular human needs.<sup>7</sup>**

Human dignity should not be violated through provisions of a welfare policy that view human beings primarily in terms of their cost to the wider society, their job skill value, or the income they are able to generate.

Public policies should assure persons of their fundamental rights of adequate income, decent housing, health care, nutrition, and education.<sup>8</sup>

*In order to bring those in need closer to a sustainable income, the benefit level for the federal Aid for Families with Dependent Children program (AFDC) should reflect regional differences and cost-of-living increases.*

*In addition to income support:*

- ◆ *nutrition programs should be made more available through improved access and education;*
- ◆ *the number of safe, affordable housing units needs to be expanded;*
- ◆ *universal health care coverage, key in reducing the need to stay on welfare, should be in place;<sup>9</sup>*
- ◆ *educational systems, key in preparing people for changing employment opportunities, need to be revitalized.*

**FREEDOM AND INITIATIVE: Human beings have been created with moral agency and freedom, with a power to act responsibly in light of their particular circumstances, accountable to God, self, and others.<sup>10</sup> God has given human beings the capacity and initiative to define the problems of material existence in community and to effect positive change.**

A society is healthier when its members are encouraged to participate responsibly in determining their own lives rather than being only the passive consumer of goods and services.<sup>11</sup> No person or community should relinquish the initiative or capacity to affect the conditions of their life, and social and political institutions should encourage such initiative.<sup>12</sup>

*Welfare policies should nurture the power to act responsibly, with possible incentives and rewards for accomplishing planned goals. Coercive or punitive measures should not be used to compel human action.*

*Inadequate grant levels force most recipients of welfare to seek unreported income if they are to survive, and thereby encourage lying and cheating.*

*Grant levels either must be increased so they are adequate for the basic necessities of life, and/or the present earned income "disregard formula" must be adjusted to allow families to keep a greater portion of the income they earn and to save for the future. Grants, loans, or scholarships for education and training should not be factored into income.*

**HUMAN WORK:** Through work, human beings are privileged and obligated to reflect the Creator whose work they are. The exclusion of persons from the community of work is a denial of the opportunity of realizing God's intention for humanity. Work is important for human well-being, but not as an end in itself. Work is thus meant for persons in community, not persons for work.<sup>13</sup>

Making it possible for people to move from welfare to work is important because employment is a means by which people become contributing participants in society. However, this is hindered in a labor market increasingly dominated by low-wage, part-time or temporary jobs that cannot support a family.

*Effective job training (on the job, technical, and non-traditional) and educational programs (vocational, secondary, and higher) must be expanded so that participants can acquire the skills necessary for stable employment.*

*Stable jobs with living wages and adequate benefits should be the goal. Provision of these jobs should be done in ways that do not have the direct effect of displacing other workers.*

*Welfare-recipients should not be forced into jobs that will make them worse off, that is, low-paying jobs without basic benefits they receive under welfare (e.g., health care, child care, food stamps, transportation). Such benefits should carry over temporarily and be phased out only as the employment income and benefits increase.*

*"Workfare" (requiring work in exchange for welfare) may not actually increase people's long-term employability, but may contribute toward a permanent working underclass, eroding both wages and employment standards for other workers. Short-term structured work experience, however, may have a positive effect on some persons who have never been employed outside the home.*

*For all workers, the minimum wage should be increased and indexed according to the rate of inflation. In addition, an expanded Earned Income Tax Credit (EITC) is important because, in effect, it subsidizes low-paying jobs through the tax system.*

**INVESTMENT IN FAMILIES:** Families are the basic communities in which personhood is fostered, and from which members move out to participate in society.<sup>14</sup> Families are entitled to protection from forces that would tear them apart.<sup>15</sup>

Men and women should not become parents until they are able to nurture and support their children. Public policies should support responsible family life.

*Appropriate forms of sexuality education in the schools, community pregnancy prevention programs, and parenting preparation classes are to be supported.<sup>16</sup> Programs to enhance self-esteem and life options are important deterrents to teenage pregnancies.*

*Welfare policies should encourage continuing parental or other adult support and guidance for minor parents, for example, through mentors and living in a household with a responsible adult (when appropriate). Minor parents should never be required to return to an abusive home in order to qualify for government assistance.*

*Policies that require or encourage parents to remain unmarried or to separate in order to qualify for welfare programs must be changed.*

**NURTURE AND SUPPORT OF CHILDREN:** All children have the right to parental care and affection.<sup>17</sup> Caring for and providing for the manifold needs of children is an important way in which people contribute to the common good of society.

In each set of circumstances, there must be a realistic assessment of what is necessary to bear, nurture, and provide for children over the long-term, and what resources are available or need to be provided for this purpose.<sup>18</sup>

*Single parents of young children should not be required to seek employment outside the home if they decide that the good of their children, and thus the social good, is best served in their circumstances through the work of nurturing their family, rather than through efforts to become economically self-sufficient.*

*Quality, affordable child care should be made available to parents who are employed outside the home, or who participate in education, training, and job search programs.*

Strong child support and/or assurance programs are needed.

*The law must hold both parents responsible for the financial support of their children.<sup>19</sup>*

*Programs such as job training, education, and/or substance abuse treatment can help some custodial as well as non-custodial parents to meet their child support obligations. Custodial parents should generally be given priority.*

Families with children should be helped to move out of poverty, rather than penalized.

*Sanctions should not be imposed if additional children are conceived by parents already receiving AFDC.*

*A refundable children's credit, in place of a tax deduction, can help provide greater tax equity and assist low-income families to rise out of poverty.*

**CARING FOR THE STRANGER:** "You shall not oppress a resident alien...for you were aliens..."(Ex. 23:9). Regardless of their citizenship, all human beings are equally entitled to what they need to live in meaningful relation to God and neighbor.<sup>20</sup>

A society's health can be measured by how it treats those in its midst who are most impoverished, who often are refugees and non-citizens.

*Refugees have distinctive needs, which should continue to be addressed under a separate program and not subsumed into the AFDC program.*

*After an initial period of residency, welfare benefits should not be denied to legal immigrants, who typically contribute to the economy and pay taxes.*

*Supporting welfare reform by taking from other disadvantaged groups is unacceptable.*

**EACH IS UNIQUE:** As creations of God, each human being and the circumstances of his/her life are unique.

A welfare policy must have flexibility in the kinds and length of assistance and supportive services that are provided.

*Individual plans should be developed that respond wholistically and directly to a family's particular needs and challenges. In addition to an income grant, some combination of job training, education, job counselling and placement, personal management skills, parenting skills, and substance abuse treatment may be needed. Child care and transportation must be available to those who need it.*

*Time limits on the receipt of benefits should not be arbitrary. They should take into account individual circumstances, the needs of dependent children, and the failure of the economy to generate enough jobs with adequate income and benefits.*

*Some persons may not be employable or should not be expected to work, such as those caring for disabled persons or children. Some requiring assistance may have been traumatized by physical or sexual abuse, permanently damaged by substance abuse, or have experienced another type of trauma or disability. An expansion of the SSI program may be necessary to assist persons in these situations.*

*A case manager approach should be more fully utilized. Trained with skills and culturally-specific sensitivities, such a case manager works with a client in a spirit of respect. The task is to develop a plan, monitor it, and provide the ongoing personal support that enables a client to carry out the plan. The two work together, with mutual responsibility and accountability. If the assisting agency does not provide the services designated in the plan, clients should not be obligated to fulfill their commitments, and any mandated sanctions should not be imposed.*

*While innovative demonstration projects should be encouraged, they must not impose punitive behavioral requirements or result in further deprivation of recipients.*

The listed principles should be considered in the negotiating and budgeting processes for welfare reform. Given limited revenues, programs consistent with these principles that begin on a small-scale are preferable over large-scale programs that are inadequately funded and less likely to be effective.

**For further information contact the Lutheran public policy office in your state, or the Lutheran Office for Governmental Affairs, 122 C. St., NW, Suite 125, Washington, D.C. 20001; (202) 783-7501.**

Chairman SHAW. Thank you.

Again, we are going to have to recess for a few moments while we go over to vote. Again, we have two votes. I keep trying to keep this going, but as long as they keep putting the votes one after another, we have to recess, so as soon as we get through with that, we will be back and we will resume with Rabbi Saperstein. We are in recess.

[Recess.]

Chairman SHAW. OK, the hearing will resume and Rabbi Saperstein, we have your statement. Please proceed as you see fit.

**STATEMENT OF RABBI DAVID SAPERSTEIN, DIRECTOR, RELIGIOUS ACTION CENTER OF REFORM JUDAISM, ACCOMPANIED BY JENNIFER FRIEDMAN AND JASON BORDOFF, STAFF**

Rabbi SAPERSTEIN. I thank you, Mr. Chairman and Members of the Subcommittee for the opportunity to offer my testimony. I am Rabbi David Saperstein, the director of the Religious Action Center of Reform Judaism, which represents 1.5 million Reform Jews—

Chairman SHAW. Rabbi, pull that microphone toward you, please.

Rabbi SAPERSTEIN [continuing]. In 850 synagogues throughout the Nation. I want to acknowledge the presence of two superb staffpeople from my office, Jennifer Friedman and Jason Bordoff who assisted in the preparation of this testimony.

I come to you today on behalf of the Reform Jewish movement; the Conservative Jewish movement; the Reconstructionist Jewish movement; the large umbrella community relations organization in the United States, the National Jewish Community Relations Advisory Council; the North American Association of Jewish Homes and Housing for the Aging; and the Council of Jewish Federations, a network of Jewish fundraising and social service delivery agencies that spends several billion dollars each year to provide direct community services to well over 1 million people nationwide, mostly non-Jews.

The need for our services has increased dramatically over the past decade. San Francisco reports a 500-percent increase since 1984. Chicago reports a 300-percent increase, and similar increases have been reported across the nation.

Now, with decades of experience in assisting AFDC recipient families to become self-sufficient, our social service network has learned what works and what does not work.

In Chicago, a very large pilot program was successful in bringing three-quarters of the families involved in the program off of dependency on AFDC and into a state of economic self-sufficiency. We support reforms that bring families together and help those on welfare become self-sufficient. Helping people to achieve self-sufficiency and providing vulnerable populations, such as the elderly, children and single-parent families, with nutrition, health care and education will be costly in the short run, but immensely cost efficient in the long run. Conversely, effecting short-term savings by pushing large numbers of people into poverty, particularly children, violates the Biblical prohibition against casting the sins of the parents onto the children and will in the long term cost our Nation morally and economically.

Above all, I come to you today to say that no matter how proud we are of the quality and the quantity of our social service programs, no matter how confident we are about the generosity of our constituencies, those who suggest that the private charity sector, above all the religious sector, can fill the void of a government withdrawal from guaranteeing assistance for the poor greatly misread the realities that we face. Such a withdrawal will cripple our ability to maintain current levels, let alone expand to meet an explosion of new needs that such a withdrawal will precipitate.

The Jewish tradition, 2,000 years ago, created the first social welfare system in the history of the world. The rabbis at that time set out a broad framework of social service programs. They knew, incidentally, that there would be freeloaders in the system. But, with a sense of frustration, humor, and irony that the Talmud records, the rabbis thank God for the freeloaders. Without them, our stinginess would lack its chief excuse.

We cannot solve all the problems in any program, but one thing that the Bible was clear about was that there had to be a zone of protection for children, for the truly needy. That should be the test of any reforms you make. Does it create a zone of protection for the children? Any program that plunges more children into poverty, any program or "reform" that creates more hungry and homeless children should be unacceptable to this Committee. Such protection is what the Bible calls for and this Committee can do no less.

We have a number of principles that are agreed on in the Jewish community as principles that should underlie welfare reform. With your permission, I would like to actually submit as an addendum to my testimony the statement on welfare reform of the large community relations umbrella group in the Jewish community, the National Jewish Community Relations Advisory Council, NJCRAC. These principles ask for a comprehensive set of adequately funded services, including: Maintenance assistance; vocational and social services not only before people get jobs, but after they get jobs to help them maintain them; continuing medical insurance, since the greatest disincentive to moving into work is the loss of benefits; child care, to make it possible for them to move to work; rehabilitation, vocational and social services; and parenting skills training and life skills training. Finally, welfare reform must be coupled with job creation.

One thing more. No matter what reforms you end up with, there is—as anyone out in the field can tell you—a great problem about getting coordination and cooperation between the Department of Health and Human Services and the Department of Labor. The systems run separately and even where in a local level—as our Chicago Federation attempted—we try to bring the parties together representing the Federal bureaucracies, we are often unsuccessful in doing it. That ought to end, no matter what reforms you implement here.

In conclusion, let me just say that we have an enormous system of social service programs. They work. You will destroy those programs if many of the reforms that you have called for go through. No matter how generous our people are—and, comparatively, a large percentage of our money comes from donations—they cannot make up the difference of that withdrawal.



Offering less is simply wrong if we think that the synagogues and churches of America can make up the difference. In a voluntary capacity without government funds, our local synagogues and local churches, particularly in the inner cities, including the historic black churches who do an extraordinary job on this—we do fill much of the void that exists today and, even so, we still don't come close to covering everyone.

We are at our upper limit. We are filled to overflowing. Everyone who works in this area will tell you the same thing: Do not cripple us further in achieving the work that should be the work of all of us: Caring for the poor and the truly needy in our society.

Chairman SHAW. Thank you, Rabbi. Without objection, the additional material you referred to will be made a part of the record.

[The prepared statement and attachment follow:]

**Statement of Rabbi David Saperstein**  
**Director, Religious Action Center of Reform Judaism**  
**Before the House of Representatives Ways and Means Committee**  
**Subcommittee on Human Resources**  
**January 30, 1995**

**Introduction**

Thank you Mr. Chairman and Members of the Subcommittee for the opportunity to offer my testimony before you today. My name is Rabbi David Saperstein. I am the Director of the Religious Action Center of Reform Judaism, American Reform Jewry's Washington office, representing 1.5 million Reform Jews in 850 synagogues throughout the nation. I want to acknowledge the presence of two superb staff people from my office, Jennifer Friedman and Jason Bordoff, who assisted in the preparation of this testimony.

Today I also come before you on behalf of much of the organized Jewish community, formally representing the Reform Jewish Movement through the Union of American Hebrew Congregations; the Central Conference of American Rabbis; the Conservative Jewish Movement through the United Synagogue of America; the Reconstructionist Movement through the Federation of Reconstructionist Congregations and Havurot; the National Jewish Community Relations Advisory Council (NJCRAC), the planning and coordinating body for the organized Jewish community, representing a unique partnership of 117 local and 13 national agencies throughout the United States; the North American Association of Jewish Homes and Housing for the Aging; and, of key importance to the deliberations of this committee, the Council of Jewish Federations, a network of Jewish fundraising and social service delivery agencies that spend several billion dollars each year to provide direct community services to substantially more than a million of people nation-wide, mostly non-Jews. The need for our services has increased dramatically in the last decade. San Francisco reports a 500 percent increase since 1984 in individuals and families seeking assistance; Chicago reports a 300 percent increase, and similar increases are reported across the nation.

I am deeply pleased to have the opportunity to speak with you about the topic of welfare reform, a social, ethical and political issue that cuts to the heart of this nation's values as exemplified through its attitudes toward its poor. The religious communities provide programs that are among the largest and most effective social service programs in the nation. With decades of experience in assisting Aid to Families With Dependant Children (AFDC) recipient families to become self-sufficient, our social service networks have learned what works and what does not. We know that social policies have the potential to make or break families, and that currently many families are being broken. It is clear that our current welfare system is inadequate. We believe that public welfare funds should be distributed in an equitable fashion,

maintaining adequate standards applicable throughout the nation and assuring respect for human dignity.

Indeed, we will support programs that bring families together and help those on welfare become self-sufficient. Helping people to achieve self-sufficiency and providing vulnerable populations such as the elderly, children, and single parent families with nutrition, health care and education will be costly in the short-run, but immensely cost efficient in the long-run. Conversely, effecting short-term savings by pushing large numbers of people into poverty -- particularly children -- violates the Biblical prohibition against casting the sins of the parents onto the children and will, in the long-term, cost our nation morally and economically.

Above all, I come to you today to say that no matter how proud we are of the quality and quantity of our programs, how confident we are about the generosity of our constituents, those who suggest that the private charity sector, above all the religious sector, can fill the void of a government withdrawal from guaranteeing assistance for the poor gravely misread the realities that we face. Indeed, such a withdrawal will cripple our ability to maintain current levels of services, let alone expand to meet an explosion of new needs.

### **Jewish Values and the Poor**

The Jewish tradition offers important perspectives to our current debate over how best to provide for those in need. America's concern for the poor is based, in part, on the legacy of the Jewish ethics derived originally from the Hebrew Bible. Judaism teaches that poverty is destructive of human dignity and that helping fellow human beings in need ("*tzedaka*") is a matter of responsibility, righteousness, and justice -- not an act of charity. Such a responsibility rests on both individuals and government.

The American Jewish community has preserved this legacy by adhering to the dictate, "There shall be no needy among you" (Deuteronomy, 15:4). We have sought to implement these ideals by working to ameliorate the plight of the poor, the disenfranchised, the elderly, the sick, and the young. As I will discuss in a few moments, the Jewish community puts these ethics into practice every day through our Federation network of social service activities and the charitable activities of our synagogues.

In almost every area of social welfare concerns, the Jewish tradition mandated that it was not only the right, but the obligation of the society and the public sphere to intervene in the economic and social institutions of our society to make them fairer and more equitable. In the Talmudic period, beginning nearly 2,000 years ago, the Jewish community supplemented the obligations of private *tzedaka* with an elaborate system of public welfare -- the first recorded in history -- including food, money, burial and clothing funds as well as publicly funded schools for rich and poor alike.

By the Middle Ages, these had grown into a widespread network of social welfare institutions for the poor, including a broad array of food programs, health care funds, dowry funds, funds to rescue and absorb refugees, shelter and food for poor travelers, and education programs. Since members of the Jewish community were compelled to support these institutions, they are analogous in our time to the institutions of government and not the voluntary private charities.

Underlying these programs was a pervasive concern for the inherent value and equality of each person leading to the requirement that, whenever possible, help must be given to the needy in such a way as to enhance the dignity of the recipient. For example, those who claimed

that they were poor were given relief immediately and investigation of the claim was done afterwards. Now, the Rabbis knew that some freeloaders would sneak into such a system, but with a sense of frustration and irony, the Talmud found a use even for the freeloaders, noting, "Be good to the impostors. Without them our stinginess would lack its chief excuse." More importantly, since *Tzedaka* is an individual as well as a communal obligation, the communal authorities taxed every person in the community. Even the poor who are the recipients of welfare funds were taxed. This helped each person fulfill the mitzvah (commandment) of *Tzedaka* and prevented the stratification of society into two classes. Every person was a giver. Each person -- even the poor -- helped the poor. But no requirement more enhanced the dignity of the poor than the understanding of our tradition (and, I am confident, that of this committee), that the highest form of charity, was, in the words of Rabbi Moses ben Maimon (Maimonides), the greatest of the Medieval Jewish scholars, to avoid charity by providing a loan or a job.

Today, we continue to believe that the larger community must play a central role in providing for the poor in ways that enable them to live independently, with dignity, and to move from poverty to economic self-sufficiency. In 20 years of crisscrossing the nation and witnessing with pride the Jewish community's extensive social welfare services, I have never met one of our social service professionals who, based on his or her interaction with clients, was not convinced that the majority of those served want deeply and genuinely to be off of welfare and able to provide for themselves and their families.

### **Principles for Successful Welfare Reform**

The organizations in the Jewish community that I represent today feel strongly that successful welfare reform must provide women on AFDC with the support necessary for them to live their lives with dignity, to be caring and responsible parents for their children and, ultimately, to make the difficult transition from welfare to work. There is a consensus among our community organizations as to the principles that ought to underlie effective welfare reform. Let me mention just a few, drawing from the work of Anita Friedman, Director of the San Francisco Jewish Family and Children's Services, and from the National Jewish Community Relations Advisory Council, the largest umbrella community relations organization in American Jewish life:

1. **A comprehensive set of adequately funded services must be provided, including:**
  - a) **maintenance assistance**, in the form of financial aid for food and shelter;
  - b) **vocational and social services**, including not only job training and placement but also essential supportive services after a job is found to solve problems so individuals can keep their jobs;
  - c) **continuing medical insurance for all**, because the loss of health insurance is one of the major disincentives for AFDC recipient clients to achieve self-sufficiency; and
  - d) **child care** to make it possible for clients to participate in vocational programs and the job search process.
2. **Rehabilitative vocational and social services, as well as education, counseling, life-skills, and parenting skills training must be offered.** There must be a continuum of benefits and case management available to the recipient until she obtains employment that

will economically sustain her family. Because many AFDC recipient families have inadequate marketable skills and limited English literacy, job training programs are an essential component of welfare reform. In addition, the AFDC public welfare system serves not only well functioning families who need a temporary "safety-net" until they "get back on their feet," but also individuals who have been damaged personally or who face major obstacles to employment. The majority of welfare recipients therefore require a full range of rehabilitation, counseling and social services as a prerequisite to self-sufficiency.

3. **Job creation must be coupled with welfare reform.** Work-eligible AFDC recipients prefer work to welfare. But entry-level jobs which pay enough to support a family and which provide medical insurance are rare, and becoming rarer due to structural changes in the American economy. Job creation is therefore essential as one component of an overall public policy strategy. Employer incentives such as on-the-job training programs, which have proven to be effective public policy strategies for inspiring business sector involvement in solving the long-term welfare dependency problem, should be instituted. Indispensable to this must also be better cooperation between Department of Health and Human Services administered welfare programs and Department of Labor employment and training programs. One stop, integrated services, with plans tailored to the needs of individuals and families are essential if people are going to be helped to leave the welfare system.
4. **Reasonable alternatives without punitive measures or arbitrary time limits that take no heed of individual circumstances must be offered to encourage self-sufficiency.** Disincentives to dependency will be so only if the system is redesigned to offer dependent families reasonable alternatives. Giving up a steady income and the security of health coverage for a minimum wage job with no medical insurance makes no business sense for parents receiving AFDC. (For example, we know that in California it takes a job that pays the equivalent of \$8.50 an hour to compete with what welfare has to offer.) Simply denying public benefits to families with dependant children in order to force individuals to find work is most likely to create widespread hunger, homelessness, and increased crime, not self-sufficiency.
5. **Welfare reform must support responsible parenting.** An equitable system would foster responsibility by both the mother and the father of a child, and it would improve child support enforcement without penalizing the single parent for the failures of the non-custodial spouse. Moreover, women should also be allowed to work part-time, rather than full-time, if they do not utilize outside child care.
6. **Citizenship should not be a requirement for eligibility for AFDC or SSI.** True reform of the welfare system should not pit one needy population against another. It should not fund programs necessary to some by denying assistance to others.

### **The Jewish Community's Role in Direct Service Provision**

Today, the Jewish community provides services to people in need of food, health care, education, shelter, and counseling throughout the nation. To a large degree, these charitable activities fall under the auspices of the Council of Jewish Federations (CJF). Founded in 1932, the Council of Jewish Federations is a national association of nearly 200 local autonomous Jewish Federations that coordinate Jewish social services for approximately 800 localities in North America. This network provides a range of services including nutritional support programs for infants, meals on wheels, low income housing assistance, and nursing home care for the frail and elderly.

In addition, one of the central missions of the Federated system has been the rescue and protection of Jews and others worldwide. On behalf of the U.S. Department of Health and Human Services, the Council of Jewish Federations provides for basic refugee care and intensive up-front service delivery designed to enable refugees to attain durable self-sufficiency. The success of the absorption of 350,000 Soviet Jewish refugees over the past two decades is an inspiring model of what an effective public/private partnership can accomplish.

Our Federations have long had a strong and productive partnership with government that is the result of decades of mutual work and cooperation. This relationship is designed to further our community's interests while meeting our obligations to the larger society. The U.S. Government relies heavily upon a vibrant non-profit sector to deliver quality health care and human services, and Federations contribute to fulfilling this essential role in our communities.

Yet I know of none of the social service providers in our vast network who think that the religious community could fill the void left by government withdrawal from the struggle against poverty. Indeed, we are already stretched to the limits and know that too many still fall through the cracks of the safety net.

In the synagogue community, we work primarily in the voluntary realm with approximately three-fourths of our synagogues running feeding and shelter programs within their synagogue structures or participating regularly in community programs. They too are at their limit. Let me provide just a few snapshots of our community's programs -- both large and small.

In a speech before the Government Affairs Institute at the 1994 Council of Jewish Federations General Assembly, the President of the Jewish Federation of Metropolitan Chicago, Steven B. Nasatir, described the activities of the Federation social services in Chicago. He states that, in Chicago alone:

"Federation social service agencies are responsible for providing critical care and sustenance to nearly 100,000 children, youth, elderly, and families each year. In 1993, the Chicago Federation agencies provided 2.5 million units of different services to people in the community, Jews and non-Jews alike."

However, in Chicago, as in cities across the nation, our Federations cannot provide these services alone. As Joel M. Carp, Senior Vice President of the Jewish Federation of Metropolitan Chicago states:

"Despite our comprehensive network, we cannot provide the ongoing income maintenance and child care services required by poor families, or those who are elderly or disabled. We cannot be the safety net, as much as we might want to be. We raised and are spending \$27 million [not including service fees and other supplemental fund raising done by our agencies] for local services in Chicago this year. We also spend another \$23 million in government funds

under various contracts we and our agencies have. These numbers do not include yet another \$68 million in government funds, including Medicaid, which support our Mt. Sinai Hospital Medical Center, 80 percent of whose revenues come from government funded programs enabling them to serve the West Side of Chicago.

"The point is that if there is any diminution of government support for the \$23 million worth of social services and employment and training programs, the Jewish community of Chicago will not be able to make up the difference. We struggle mightily to maintain our local fund raising campaign and to produce some increased giving each year. If government funded programs are cut, then the vulnerable people we now serve will just not be served."

In San Francisco, where the Jewish Family and Children Services program is the largest family service institution in the San Francisco area, more than three-fourths of the families in its programs designed to achieve self-sufficiency have been successful within a two-year period. This has been done through a careful mix of financial assistance with social services, and through a partnership of public and private sector resources. We have a track record in how to achieve the goals of welfare reform.

In New York City's extraordinary Jewish Educational and Guidance Service (FEGS), one of the largest non-profits in the nation, serving 50,000 people a year in their 117 locations, FEGS utilizes a broad array of government funding to help sustain its service network. Cutbacks could not realistically be made up by private contributions.

As noted above, in addition to the work of our Federations, thousands of synagogues throughout the country also provide direct services to people who are needy. Our synagogues most commonly provide shelter to homeless women and children who need a place to sleep, nutritious meals for hungry people, and tutoring programs for children and adults, among many of the social services. Many of these programs are funded entirely by the synagogue's own social action budgets and out of synagogue discretionary funds. Some are funded in partnership with government programs. They are largely staffed by volunteers who give freely of their time in the spirit of providing another human being with the basic necessities -- food, clothing, education, and shelter.

One example that is typical is Central Synagogue, the oldest synagogue in continuous use in New York City, which provides a hot breakfast and a bagged lunch to hungry people two mornings per week, as part of a feeding program coordinated with area churches and other houses of worship. Together, they feed this group of people seven days per week. Created ten years ago and run completely by volunteers, the program originally served approximately 100 people a day.

Today, this program feeds more than 400 people daily, totaling 2,800 people per week, even though it is located in a space suitable to fit no more than 200 people, thereby forcing many to stand outside in the winter cold as they wait for their hot meal. Simply put, this program has grown because the number of needy people in New York (and other major cities) has escalated dramatically during the past decade. Nonetheless, this program is a model of the types of public service activities that have been touted by some as the answer to meeting the needs of the poor in the United States today. Thus, for example, Marvin Aleski (author of The Tragedy of American Compassion), an influential writer on these issues who has helped shape the current debate, argues that individual "churches, synagogues, and mosques" will step up and increase their programs to fill the void of government's withdrawal from welfare. Clearly, however, Central Synagogue's resources are over-burdened and its facilities are over-crowded, as are the resources of all synagogues, Federations, and community centers across the country. It is not only unfair, but more importantly unrealistic to expect such private charity organizations

to provide the services that are currently administered by the government.

Across the nation, programs like those in San Francisco, Chicago, and New York have already stretched their resources to meet the needs of those in their communities. These institutions would not be able to provide even basic services if government programs are further cut back. The states, already pressed for funds, are highly unlikely to make up the difference. Repeated studies of the non-profit sector generally and the religious community specifically refute the notion that it can provide for the truly needy without an expanded partnership with government. This committee must not ignore this data in deciding how to reform welfare.

As Diana Aviv, Director of the Washington Action Office of the Council of Jewish Federations, stated in written testimony before this subcommittee on January 27:

"I believe that it is unrealistic to think that billions of additional dollars will pour into charitable coffers if the public sector retreats from providing basic income support to people in this country. The Jewish Federation network is one of the finest social service systems in the country. Our collective campaigns raised nearly \$1 billion in 1994. But in 1995, we are struggling to keep our campaigns at last year's level, and in some economically hard hit communities we are failing. We will do our best to restore our system to vigorous health, and I suspect that we and other charitable institutions will succeed in doing better. But it is imperative that the federal government maintain its role in the public-private partnership that has been created for caring for our nation's needy."

### Today's Welfare Debate

The Jewish organizations I represent today are especially concerned about provisions that would have the following effects: taking a federal safety net away from poor children; defunding and devaluing AFDC and food nutrition programs from entitlement status; arbitrarily ending benefits to women without providing employment options; and penalizing legal immigrants. Many provisions in the Personal Responsibility Act, the Contract with America's welfare bill, would produce these undesirable ends. Even beyond this specific legislation, a variety of suggested reform proposals include some or all of these harmful elements.

### Impact on Children

The ultimate judgement of a nation -- of its values, its honor, its basic decency -- rests upon how it treats its children. A nation that neglects its children, that allows children to go hungry or homeless, that fails adequately to educate its children, is a nation that short-changes its future.

In the zeal to reform the welfare system, members of Congress must not forget how the actions they are now considering affect our children and America's future. America already has too many homeless children huddled and shivering against winter's chill without adequate shelter, too many children whose young stomachs know too well the empty pain of hunger. Those who would alter the welfare system in order to cut budgets will cite the financial benefits of their cuts, will claim that by reducing the national deficit they are *securing* our future. But by reducing that deficit by penalizing children -- by making the weakest and neediest among us bear the burden of reform -- they only *bleaken* that future.

There are four ways that the Personal Responsibility Act and other bills would devastate



millions of American children. First, these proposals would permanently bar children from receiving AFDC benefits if their mothers were unmarried and under the age of 18. Second, they would disqualify children who were conceived while their mothers were already receiving AFDC. Third, they would prohibit children from receiving AFDC benefits if paternity had not been established. Finally, one of the most controversial provisions would favor state guardianship of children over familial care by allowing states to spend funds, saved from the paternity exclusion, on orphanages and group homes for teen mothers.

The Center on Budget and Policy Priorities estimates that if these proposals were in full force today, at least five million children, more than half of the AFDC caseload, would lose all cash assistance. The paternity requirement alone would immediately end assistance to 2.8 million children -- 29 percent of all children now receiving AFDC.

Though people may disagree about how best to solve our nation's problems, I am certain we all agree that our children are our most valuable and precious resource, and we must treat them accordingly. We must protect our children from an indiscriminate budget ax just as resolutely as we would protect them from violence. We must carefully scrutinize cuts in the welfare system, including cuts in AFDC benefits, in the Food Stamp program, in school lunch programs, and in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). Our children, all too many of whom already are poor and are forced to rely on the food and benefits provided by the welfare system, are meant to walk with us on the road to peace, freedom and prosperity. We dare not walk that road to a better tomorrow while leaving them trapped in a bleak, a cruel, today.

In the Senate, there is growing bipartisan support for a child protection provision to this type of legislation ensuring that no more hungry or homeless children are created by acts of this Congress and requiring a child impact analysis from committees on legislation they send to the floor for a vote. In keeping the focus of our actions in conjunction with God's children, this amendment keeps the political and moral focus of our nation on the appropriate target. This is what the Bible did; it created a zone of protection for the least of us. This Congress and this committee can do no less.

### **Block Grants for AFDC and Food Programs**

Many legislators now champion proposals to block-grant AFDC, Food Stamps, and other Federal nutrition programs. They argue that block-grants would provide states with more flexibility in administering assistance to their own populations.

In reality, block-granting AFDC would devalue the program from its current status as an entitlement program with guaranteed full-funding. Instead, the program would fall within the discretionary funds subject to budgetary caps, the annual appropriations process, and incomplete funding. Funding for vital programs like child care and child support would be capped and forced to compete for funds with other deserving programs for scarce federal dollars. And, given the current push by many legislators for a Balanced Budget Amendment to the U.S. Constitution, AFDC would be among the discretionary funds most vulnerable to cuts or total elimination.

Similar proposals would combine Food Stamps with other nutrition programs, such as the school lunch and breakfast program and WIC, and would turn them over to the states in the form of block grants. These are among some of the nation's most successful and cost effective programs representing a wise investment in our children and our future. Like the change in the

status of AFDC, block granting the Food Stamp program, the most critical safety net for poor families, would lead to reduction in funding, increased competition among programs, and, potentially, total elimination.

The Center on Budget and Policy Priorities estimates that if the Congress follows this approach and turns these programs over to the states in the form of block grants, the total cuts in federal funding for food, housing and income programs would reach approximately \$57 billion over four years. Nobody can articulate the social costs of undercutting the poor.

### **Arbitrary Time Limits and Employment**

Many legislators now support proposals to cut women and their children off of AFDC after two years. New proposals would allow states to cut off all of a family's AFDC benefits, without assuring that the recipient has reasonable access to work, whether it be in the private sector or subsidized by the federal government. The Jewish groups I represent have grave concerns about this approach to welfare reform not only for powerful moral reasons, but practical reasons as well. Where do supporters of these time limits suggest that families without incomes live? Where will their meals come from? How will they clothe and support their children? Time limits can be part of an overall reform program but not in the form of imposing a lifetime limit on any form of assistance without regard to availability of training, jobs, necessary social support and other impediments to work. Such proposals cannot possibly meet the varied and complex needs of all AFDC recipients.

### **Immigrants**

Finally, many welfare reform proposals suggest that money be saved by barring legal immigrants from receiving any AFDC or Supplemental Security Income (SSI), which currently grants benefits to 225,000 disabled immigrants. These measures would be devastating to the thousands of Jewish immigrants who enter the United States annually, especially those from the former Soviet Union, as well as the hundreds of thousands of others from all over the world who come to the United States in search of opportunity and the pursuit of happiness. Denying benefits to some low-income families in order to pay for services for other low-income families contradicts the overarching principles of a credible and fair anti-poverty strategy.

### **A Proposal**

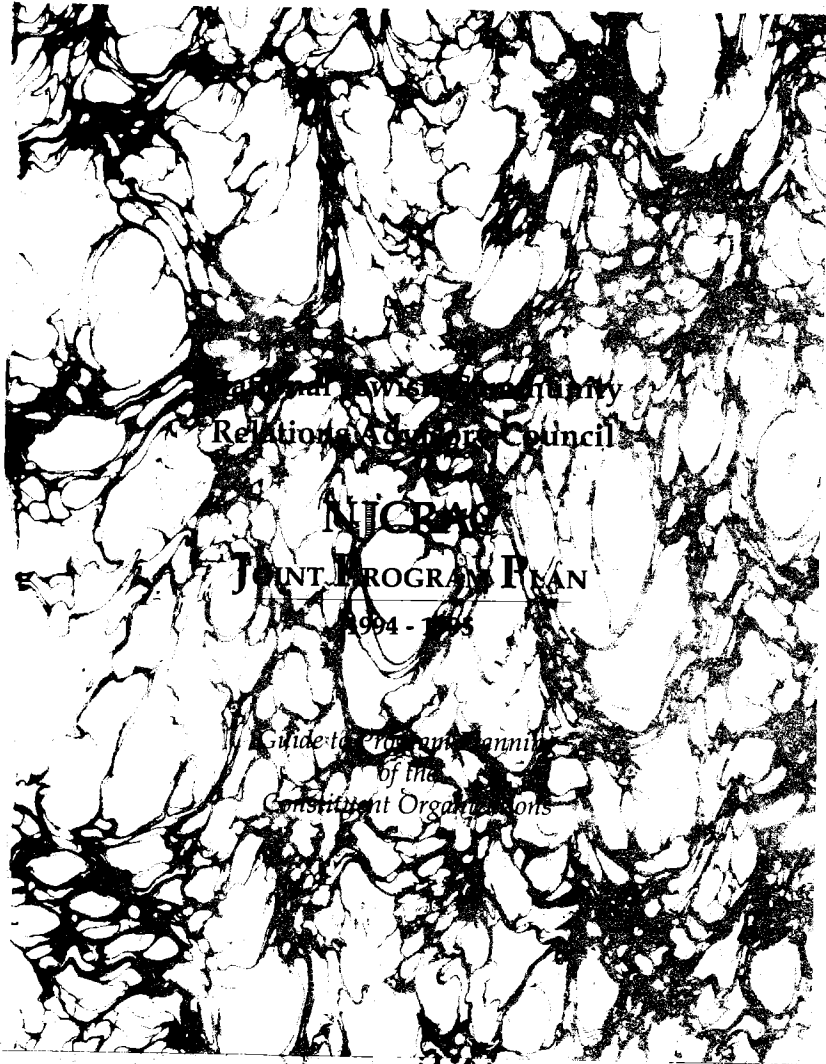
At the least, let us test the efficacy of the different approaches. Members of this committee have their own views; the members of this panel of religious social services providers also have detailed recommendations for reform based on our long experience as the nation's largest, and arguably most successful social service providers. Before eviscerating the current system of welfare, let us test these different approaches in several states apiece through performance based contracts with careful evaluations of what works, and what does not, in moving people off of welfare.

### Conclusion

In conclusion, I would like to thank the Subcommittee for the opportunity to speak before you today. It is my hope that the original intent of welfare reform, to assist poor families and children attain self-sufficiency, will not be obscured by political issues that are not related to welfare.

So, Mr. Chairman, on behalf of many national Jewish organizations, I urge all members of Congress, regardless of political leanings, to search their souls when voting on proposals that would strip the poor of their only source of sustenance. I urge them to keep the well-being of all Americans always in their minds, and especially to recognize that when we short-change children for short term financial gain, we make a faustian bargain that will cost this nation dearly down the road.

*Jason Bordoff and Jennifer C. Friedman, Legislative Assistants at the Religious Action Center of Reform Judaism, assisted with the preparation of Rabbi Saperstein's testimony.*



International Community  
Relations Council

NJCRA  
JOINT PROGRAM PLAN

1994 - 1995

Guide to Program Planning  
of the  
Constituent Organizations

## NJCRAC Constituent Organizations

### National Agencies

American Jewish Committee  
American Jewish Congress  
B'nai B'rith/Anti-Defamation League  
Hadassah  
Jewish Labor Committee  
Jewish War Veterans of the U.S.A.  
National Council of Jewish Women  
Union of American Hebrew Congregations  
Union of Orthodox Jewish Congregations of America  
United Synagogue of Conservative Judaism/Women's League for Conservative Judaism  
Women's American ORT

### Community Agencies\*

**Alabama**  
CRC of the Birmingham Jewish Federation

**Arizona**  
CRC of the Greater Phoenix Jewish Federation  
JCRC of the Jewish Federation of Southern Arizona

**California**  
Jewish Federation of Greater Long Beach and West Orange County  
CRC of the Jewish Federation-Council of Los Angeles  
JCRC of Greater East Bay Jewish Federation of Orange County  
JCRC of Sacramento  
JCRC of United Jewish Federation of San Diego  
JCRC of San Francisco, the Peninsula, Marin and Sonoma Counties  
JCRC of Greater San Jose

**Connecticut**  
Jewish Federation of Greater Bridgeport  
Jewish Federation of Greater Danbury  
Jewish Federation of Eastern Connecticut  
CRC of Jewish Federation of Greater Hartford  
Jewish Federation of Greater New Haven  
United Jewish Federation of Stamford  
Jewish Federation of Waterbury

**Delaware**  
Jewish Federation of Delaware

**District of Columbia**  
Jewish Community Council of Greater Washington (includes Northern Virginia and Montgomery and Prince George's Counties, Maryland)

**Florida**  
Jewish Federation of South Broward  
Jewish Federation of Fort Lauderdale  
Jacksonville Jewish Federation  
Greater Miami Jewish Federation  
Jewish Federation of Greater Orlando  
Jewish Federation of Palm Beach County  
Jewish Federation of Pinellas County  
Sarasota-Manatee Jewish Federation  
South Palm Beach County Jewish Federation

**Georgia**  
Atlanta Jewish Federation  
Savannah Jewish Federation

**Illinois**  
JCRC of the Jewish United Fund of Metropolitan Chicago  
Jewish Federation of Peoria  
Springfield Jewish Federation

**Indiana**  
Indianapolis JCRC  
Jewish Federation of St. Joseph Valley

**Iowa**  
Jewish Federation of Greater Des Moines

**Kansas**  
(see Missouri)

**Kentucky**  
Central Kentucky Jewish Federation  
Jewish Community Federation of Louisville

**Louisiana**  
Jewish Federation of Greater Baton Rouge  
Jewish Federation of Greater New Orleans  
Shreveport Jewish Federation

**Maine**  
Jewish Federation-Community Council of Southern Maine

**Maryland**  
Baltimore Jewish Council

**Massachusetts**  
JCRC of Greater Boston  
Jewish Federation of North Shore  
Jewish Federation of Greater New Bedford  
Jewish Federation of Greater Springfield  
Worcester Jewish Federation

**Michigan**  
Jewish Community Council of Metropolitan Detroit  
Flint Jewish Federation

**Minnesota**  
JCRC/Anti-Defamation League of Minnesota and the Dakotas

**Missouri**  
Jewish Community Relations Bureau/American Jewish Committee of Greater Kansas City  
St. Louis JCRC

**Nebraska**  
ADL/CRC of the Jewish Federation of Omaha

**New Jersey**  
Federation of Jewish Agencies of Atlantic County  
United Jewish Community Bergen County/North Hudson

**Jewish Federation of Central New Jersey**  
Jewish Federation of Clinton-Passaic  
MetroWest United Jewish Federation  
Jewish Federation of Greater Middlesex County  
JCRC Jewish Federation of North Jersey  
JCRC of Southern New Jersey  
Jewish Federation of Mercer and Bucks Counties

**New Mexico**  
Jewish Federation of Greater Albuquerque

**New York**  
Jewish Federation of Broome County  
Jewish Federation of Greater Buffalo  
Elmira Jewish Welfare Fund  
Jewish Federation of Greater Kingston  
JCRC of New York  
United Jewish Federation of Northeastern New York  
Jewish Federation of Greater Orange County  
Jewish Community Federation of Rochester  
Syracuse Jewish Federation  
Utica Jewish Federation

**Ohio**  
Akron Jewish Community Federation  
Canton Jewish Community Federation  
Cincinnati JCRC  
Cleveland Jewish Community Federation  
CRC of the Columbus Jewish Federation  
JCRC of the Jewish Federation of Greater Dayton  
CRC of the Jewish Federation of Greater Toledo  
JCRC of Youngstown Area Jewish Federation

**Oklahoma**  
Jewish Federation of Greater Oklahoma  
Jewish Federation of Tulsa

**Oregon**  
Jewish Federation of Portland

**Pennsylvania**  
CRC of the Jewish Federation of Allentown  
Erie Jewish Community Council  
CRC of the United Jewish Federation of Greater Harrisburg  
JCRC of Greater Philadelphia  
CRC of the United Jewish Federation of Pittsburgh  
Scranton-Lackawanna Jewish Federation  
Jewish Federation of Greater Wilkes-Barre

**Rhode Island**  
CRC of the Jewish Federation of Rhode Island

**South Carolina**  
Charleston Jewish Federation  
Columbia Jewish Federation

**Tennessee**  
JCRC of the Memphis Jewish Federation  
Jewish Federation of Nashville and Middle Tennessee

**Texas**  
Jewish Federation of Austin  
JCRC of the Jewish Federation of Greater Dallas  
JCRC of the Jewish Federation of El Paso  
Jewish Federation of Fort Worth and Tarrant County  
CRC of the Jewish Federation of Greater Houston  
JCRC of the Jewish Federation of San Antonio

**Virginia**  
United Jewish Community of the Virginia Peninsula  
Jewish Community Federation of Richmond  
United Jewish Federation of Tidewater

**Washington**  
Jewish Federation of Greater Seattle

**Wisconsin**  
Madison Jewish Community Council  
Milwaukee Jewish Council

➤ \*JCRC  
Community Relations Committee  
or Council

➤ \*JCRC  
Jewish Community Relations Council

### Preamble

*Helping Jewish poor as well as those in the general community achieve self-sufficiency has been a fundamental commitment of the Jewish people. Jewish tradition and values emphasize the responsibility of the larger community to provide for the poor and the near poor in ways that enable them to live independently, with dignity, and to move from poverty to economic self-sufficiency. Most welfare recipients are eager to achieve this goal. Blaming welfare recipients for their own plight rather than addressing the inadequacies of the welfare system and of the nation's economy, are cause for alarm. Instead, a comprehensive approach should be developed, using a full range of collaborative programs and realistic measures of accountability on both the system and the recipient.*

*Conditions which enable families to leave the welfare system include: jobs that pay enough to allow families to support themselves, opportunities for affordable housing, child care, and other social services that meet basic needs. The NJCRAC will support measures which provide families with realistic work opportunities and adequate financial and other supports, especially for the children in such families. While such reforms may require meaningful financial investment in the short term, they save money in the long-term by constituting a worthwhile investment in people, effectively enabling them to move from welfare to work and ensuring the well-being of children.*

### Principles

The NJCRAC therefore has set forth the following principles as a basis for developing a comprehensive and humane welfare reform policy:

1. Welfare reform is part of an overall commitment and strategy to reduce poverty and promote economic independence and social well being among the poor. A wide range of policies and programs, including job creation, health care for all, child care, and other support services, must be developed to enable the working poor, as well as those dependent on public assistance, to become self-supporting. A commitment to adequate funding is necessary to ensure that these goals are met.
2. The federal government has a primary responsibility for alleviating poverty by providing the necessary programs to enable individuals and families to progress from poverty to economic self-sufficiency.
3. The federal government should ensure a basic minimum level of support to provide a decent living standard for the poor. The level of government funding for welfare benefits should be brought, as quickly as possible, to the federally defined poverty line, with regional adjustments for differentials in living costs. Any action which would further reduce net benefits to individuals, such as taxing welfare dollars, should be rejected.
4. Government policy should recognize the diversity of those who are poor and include programs which respond to the heterogeneous needs of this population. One group requiring targeted services is the long-term poor, who face the greatest barriers to employment. Another key target group, requiring special attention by government, educational and community institutions, is children who have children. Preventing pregnancies among teenagers could have a substantial impact on breaking the cycle of welfare dependence. Children who become parents, or who may potentially become parents, both fathers and mothers, require the following specialized services: targeted education and employment programs; inducements to remain in school; child care and health care counseling, to include programs and social service supports which reduce pregnancy rates and encourage parent responsibility.
5. Training, education, and job creation programs should be funded at a level that enables such programs to be effective in moving clients from welfare to employment and sustainable self-sufficiency. Federal funding for the Job Opportunities and Basic Skills (JOBS) program — or any successor program — should be increased to expand education and training opportunities. Adequate funding must be provided also for job development strategies, as well as for job search assistance. Matching state funding requirements should be reduced and application procedures simplified so that administrative and fiscal constraints no longer prevent states from accessing their full allocation from these programs.
6. Welfare reform should not be funded at the expense of established government benefit programs which currently serve welfare, low-income, and immigrant populations, the working poor, the disabled, and other needy groups.
7. Government policy should provide for comprehensive support services for welfare recipients enrolled in job training, education, and placement programs and for recipients in transition from welfare to work. Services should include health care, child care,

housing transportation, legal services, and other social service supports.

8. Any mandatory employment, whether in the private or public sector, to which welfare recipients are assigned must not displace current workers and jobs, must provide pay and benefits equal to those of other workers doing the same work, and should not at any time pay wages below the minimum wage.

9. If fixed limits are established, such as time limits in programs associated with training and job placement, they should be contingent upon individual circumstances (including provision of waivers for people with disabilities or other needs), the capacity of the federal government to guarantee adequate education and training services within the given time frame, the ability of the economy to generate sufficient numbers of permanent jobs within reasonable geographic access, the needs of dependent children, and the government's capacity to provide the necessary support services.

10. Government policy should be flexible in assigning operational responsibility for the design and implementation of non-cash welfare programs, such as job training and child care, enabling participation by a range of state and local government and non-governmental agencies experienced in developing effective, localized service delivery programs. The policy, however, must be based upon an adequate level of government funding for service provision and clearly established government standards of accountability.

11. Welfare programs should emphasize incentives over penalties. Family cap provisions and other punitive restrictions endanger the welfare of children and families and do not promote self-sufficiency.

12. Welfare programs should facilitate family stability by removing bars to participation by two parent families, and by not penalizing impoverished families in which both parents are employed. Reforms should make it easier to combine some paid work with welfare benefits, particularly in cases where only part-time and low wage work is available, without loss of health care, child care, and other support services, and to allow recipients to retain more of their earnings in order to save for future needs.

13. Preferred remedies to poverty are those which support families, promote self-sufficiency, and reward work, such as the earned income tax credit (EITC). The recent expansion of the EITC means that families with one member working full-time in a minimum wage job will be able to live above the poverty line. To ensure use of the EITC, including awareness of advance payment availability, outreach efforts, to both recipients and employers, should be enhanced. All welfare recipients, upon application for and departure from welfare programs, should be notified in writing of the availability of the EITC. Employers should be required to inform new employees of the option of having advance EITC payments available through their payroll. At the same time, the federal government should continue to explore ways of establishing a more effective and efficient advance payment system.

14. Given that child support enforcement services are critical to preventing poverty, child support by absent parents should be enforced more vigorously through mechanisms such as: establishment of paternity as soon as possible following birth; periodic update of guidelines for appropriate support payment levels; interstate coordination of central registries for collections and disbursements; and a federal child support enforcement

clearinghouse, and other federal assistance wherever possible. However, failure of efforts to establish paternity should not result in disqualification for welfare eligibility. A safety net of assured minimum child support must be provided regardless of parents' employment status.

### Conclusion

*The NJCRAC is committed to calling to the attention of the Jewish and general community the problems associated with poverty, and to advocating support for those programs that will move individuals and families out of poverty toward self-sufficiency. The NJCRAC recognizes federal, state, local, private, and individual responsibility in working to develop a coordinated program of support for welfare recipients and their families.*

*The NJCRAC urges local and national Jewish organizations to join in coalition with other civic, religious, and advocacy organizations, and together to disseminate this or similar welfare reform position papers in their states and communities, and to express these positions as preferred public policy to government officials, newspaper and magazine editorial boards, and candidates for office in this election year.*

Chairman SHAW. Reverend Jones.

**STATEMENT OF REV. LARRY JONES, PRESIDENT AND  
FOUNDER, FEED THE CHILDREN**

Reverend JONES. I want to thank you, Mr. Chairman, and also Members of the Subcommittee, for inviting me to speak on behalf of the hungry children in America.

A very specific word is missing in the Contract With America. I would like to add one word, Contract With America's Children. I would also like to say that I am among friends. I have been to three Congressmen's districts who are present this evening delivering food.

I would also like to say that I have been here since 3:30 and I have heard my testimony about 10 different times, in some cases, much better than I personally could give it. So I would like to veer from it just a little bit because you have my written testimony. I would like for you to know that we have taken food to all 48 continental States and have 30 semis that are going all the time. In December 1993, we took over an old college in Oklahoma City, and the first thing we did was start a Head Start Program, then job training. We have counseling for substance abuse and first-time offenders.

Most people don't know it, but over 80 percent of the people in prison in Oklahoma, when they come out have a problem with substance abuse. We have afterschool tutoring. We have a class on Tuesday and Thursday nights so they can get their GED. We have Granny's Closet so poor children can check out books and educational toys. We have an athletic program and then we have midnight basketball.

You see, I work with Democrats and I work with Republicans. When we came up with midnight basketball, somebody said, oh, that is a Democrat idea. All of a sudden that just set me off because I am an old basketball player from Kentucky, and I didn't know the difference between a Democrat and a Republican on the basketball floor. But one of the things that I think is going to have to be addressed is what we have witnessed tonight.

They have had three breaks. When they had the first break, I went back over across the street and saw positioning between the Republicans and between the Democrats, and the thing that is going to have to be settled before the problem of welfare can be resolved is positioning.

I have heard people today who have jumped on the poor. We all know somebody that has abused the system, but I also noticed today on the front page of the "Washington Post" that States had taken \$3 billion in Medicaid that they weren't supposed to take. So when you start making block grants to the States, somewhere there is going to have to be a safety net.

Of course, I have always worked off the assumption that Will Rogers had, there is not a dime's worth of difference between a Democrat and a Republican. I love you both. But this positioning has got to stop, and we are going to have to quit using the poor as political football.

When they asked me to give testimony, I bought and read the Contract With America. Page 75 is one of the simplest answers. A



person on welfare gets \$12,000 a year. A person on minimum wage gets \$9,000. Very simple math. Get them a job at minimum wage, let them keep the medical benefits and the food stamps, and you work them right out of poverty.

Even the Word says, the Word became flesh and dwelt among us. We are going to have to walk with the poor. They are not going to jump out of poverty. They may crawl. They may start walking. They will not jump.

Now, you have already heard testimony that we are all maxed out. We cannot do any more. We are doing more than we possibly can. Giving is down. People are tired of seeing us come to the door with our handout.

Therefore, I think we are going to have to use the words of Martin Luther King who said, folks, the church is not the servant of the State; the church is the conscience of the State. I am sitting here tonight telling you that on Saturday nights, poor children have nothing to do. Over Christmas vacation, they don't go skiing. Over spring break, they don't go to Fort Lauderdale.

Gentlemen, it is hell being poor, and I feel that my—all my views have changed since I started with my wife, feeding the children in 1979. We have got a problem out there and the problem is too big to be left up to politicians.

We are going to have to roll up our sleeves and work together and get down in the ditch, and here is what I have discovered in the ditch. In the ditch, you don't ask, are you a Republican, are you a Democrat? You don't ask if you are a Christian or if you are a Jew. You have a job that is so immense in front of you and that child of the future is so precious to you that you roll up your sleeves and you go to work. This is what we need today. I am outraged sitting here for 5 hours and going across the street and seeing the positioning.

Did you know that right now the Republicans are acting like the Democrats did 2 years ago and people are saying to me, didn't the Democrats get it in November? Hold it. Republicans didn't get it in 1992 when they lost the Presidency. Nobody knew that was coming, and the real question is, what does it have to do with hungry children?

And so tonight I hold up to you the hungry children of America, and I am saying to you, I will come to your district, I don't care what your religious faith is, what your political party is, we will work with you. These people here will work with you, but we got a problem that is bigger than all of us and it is going to take us all to solve it.

Please, in the name of hungry children of America, quit bickering over whether it is a Democrat or Republican idea and remember, it is amazing how much you can get done when you don't care who gets the credit.

Mr. LEVIN. Amen.

[The prepared statement follows:]

REVEREND LARRY JONES TESTIMONY  
BEFORE THE U.S. HOUSE OF REPRESENTATIVES  
WAYS AND MEANS COMMITTEE  
HUMAN RESOURCES SUBCOMMITTEE

JANUARY 30, 1995

Dear Mr. Chairman and Members of the Subcommittee:

Thank you Mr. Chairman and Members of the Subcommittee for inviting me to speak on behalf of the hungry children in America.

There is a only one word missing in the "Contract With America."

1995 is the most pivotal benchmark in modern American politics, and this is the time to seize the atmosphere and bring about real, effectual change in welfare that clearly tells your constituents that today Congress is making a bipartisan "Contract With All America."

For the past quarter of a century, Democrats and Republicans; the rich and poor; the white collar and blue collar; men and women; young and old have complained about the welfare system.

Everyone in this room agrees, change is desperately needed. On history's clock, this may be our only hour to make the welfare programs work for the children who Feed The Children delivers food to every day.

Let's not lose time on history's clock. We have an opportunity to write the pages in our children's history books on how America's poor was not lost to partisanship nor a periodic political skirmish.

The families we meet through Feed The Children's programs are not graduates from high-level schools and colleges that teach theory, but the College of Life - where every day is a lesson in choices and decisions in order to survive.

As they struggle through the courses of the College of Life, lobbyists representing other interests are pounding the hallways of Congress.

Who is lobbying for the poor? Who is lobbying for the children? No one because without funds, they are powerless. Therefore, their concerns are not heard in the hallways of Congress.

When these programs were developed in the mid-1930s, they were developed to serve children, orphans and widows.

Now, somewhere in the rhetoric of the day, children have gotten lost. And if we don't find them, we're setting a whole different tone and flavor for what our society is going to be in the future.

The poor children are crying out for help, but our society is not hearing them until they grow up and become gun-toting teenagers.

It is a matter of having programs and services that will not penalize the children who right now cannot care for themselves or scream loud enough to be heard.

In addition to the 1 in 7 children who are currently on welfare, there is another whole segment sitting on the edge of welfare whose parents are working more than one job.

Last month, the Labor Department stated that there are more Americans holding down two or more jobs than there are unemployed.

For the past 25 years, multiple-job holders has increased 88 percent, and it is this segment of the population who are going the extra mile to provide for their families and trying to stay off of welfare.

Obviously, they do not have the financial means nor time for lobbying state and federal governments. However, appropriate programs and services will help keep them from slipping across the edge into welfare.

Welfare reform will always be an intensely debated issue because old stereotypes die hard.

**TOP 10 FACTS THAT BREAK WELFARE RECIPIENT STEREOTYPES:**

1. 90% of welfare recipients are acting personally responsible because they are pursuing means to provide for their families. Several million families use welfare programs according to its original intent;
2. Over half of welfare recipients are white;
3. Most AFDC recipients do not have another child for a mere \$83 a month which doesn't even buy diapers;

4. Welfare programs combined are only 3% of the federal budget; it's not the threat to balancing the budget;
5. Oklahoma's average AFDC recipient is a 24-year-old divorced woman with 11 years of schooling, some work experience and two children;
6. The average age of first receipt of Oklahoma's AFDC services is 24.3 years old;
7. A majority of AFDC recipients already leave the program at around 2 years (26 months in 1993);
8. Two-thirds of all women raised in welfare families avoid turning to the system as adults;
9. Most recipients would get off of welfare if they could keep their medical benefits;
10. More than half (57%) of welfare mothers have a high school diploma. The average educational level in Oklahoma is 11.8 years.

Feed The Children has found that a home without enough food to feed a family is also a home lacking other basic essentials, such as proper clothing, electricity to warm the home, medicine, transportation and a working-level education.

*Then, the family finds itself entrapped in the agonies of poverty.*

#### TOP 10 AGONIES OF THE POOR:

1. The "Contract With America" cites one of the major agonies on page 75: A single mother can make \$3,000 more per year by staying home receiving welfare benefits versus working at a minimum wage job while losing the benefits;
2. There are usually more days in the month than money for most poor families. Likewise, most of the feeding centers across the country run out of food before the end of the month. The last week of many months, American families are penniless and hungry;
3. Fixed income creates depression which manifests a lack of motivation to work. People need something to get up for in the mornings.  
 -- Just south of the glitzy, high-rent Dallas skyline is an area called Sand Branch where the living conditions are comparable to any Third World neighborhood -- no indoor plumbing, homes filled with smoke from wood-burning stoves for warmth and some have 15 people living in a two-room shack.  
 We met a lady there a couple years ago who said she was depressed because she was living on a fixed income and not working. Recently, we met her again.  
 She told us how the simple act of bringing her food two years ago made her feel that someone cared and that the food gave her the little extra hope and courage necessary to look for a job.  
 Today, she is employed and has extra cash to repair the holes in her home's exterior walls so that she can provide a warm, respectable home for her son.
4. They risk their medical benefits if they take the initiative to get off of welfare because many jobs do not come with health insurance, or it is too much of a deduction out their paycheck.  
 -- At Feed The Children, we have one of the most economical health insurance programs. For a family, it still costs over \$200 a month which is a substantial amount of money for anyone;
5. The cost of day care cancels any incentive to work at low-paying jobs;
6. The risk of selling drugs makes more sense than working at low-paying jobs.  
 -- In our work with gang members, one told me that it did not make economic sense for him to work at a minimum wage job when he is supporting his mother, wife and child and can make a \$1,000 a day without even working. But, he decided that a minimum wage job made personal sense because it would keep him out of prison.
7. Many welfare recipients are bound to their locale and cannot afford to move where jobs are more accessible, nor are they able to travel for interviews;
8. Many cannot afford a car to drive to work because owning a car also requires money for insurance, gasoline, parking, maintenance and repairs;

9. Some families get so far behind that when they do get a job, it takes years to catch up, long after losing welfare benefits;
10. Constant trade-offs: Do I pay the electricity or water before they're cut off which will require additional costs to reconnect, or do I feed the children?

To address these traps, a couple years ago Feed The Children went beyond putting food on the table and began The S.P.O.T. which is short for Shaping People of Today.

The S.P.O.T. provides welfare families services for all of its members in order to halt the inter-generational cycle of poverty.

Parents and single mothers receive job training, assistance, placement and follow-up counseling, educational training, nutritional and budget classes, and life-skills training; teenagers benefit from a variety of athletic programs; and smaller children participate in Head Start programs, access to a library filled with educational toys and books and athletic programs.

At our basketball clinics for small children, we noticed that they arrived lethargic. We soon discovered that none had eaten breakfast, so we began providing food each morning. They had a sudden burst of energy, enthusiasm, increased level of concentration and motivation to learn for the next three hours.

Many opinion leaders have criticized midnight basketball programs, but they are admitting their own ignorance about the daily lives of poor children. They simply do not have anything to do on Saturday nights.

Idleness is the devil's workshop. In America, we have given Saturday nights to idleness which has precipitated the drive-by shootings and gang-related crimes that we read about in the Sunday papers.

We must address the effects of poverty on today's children before they grow up and become gun-toting teenagers.

In Pearl's Kitchen, Pearl Bailey wrote over twenty years ago that "hungry people cannot be good at learning or producing anything, except perhaps violence."

During 1994, 300 single mothers with children and older adults, who have never faced the need for assistance, have graduated from The S.P.O.T.'s job assistance program. Their current employers are so happy with their work ethic and ability to perform the duties, that many are requesting additional referrals for employment.

The first graduate who we placed in a job, Ismael, was receiving food stamps and living in a shelter because he had no place to go after being released from prison. Before coming to The S.P.O.T., he had no hope of ever finding a decent wage-earning job.

Within the first 90 days at his new job, he was selected Employee of the Month and later promoted to supervisor. He now has a home, a secure job, owns a car, and most of all, a new lease on life. His employer has hired additional graduates from The S.P.O.T..

This example is typical of the responses we receive from graduates and employers.

In our fifteen years of delivering food to poor families across America and during the past year of personally assisting individuals and families to get back on their feet, we have found that the following incentives would be real reforms:

#### TOP 10 WAYS TO IMPROVE WELFARE PROGRAMS

1. Increase jobs in rural and small town areas. Job training is great, but inconsequential when there are not any jobs in the welfare recipient's locale;
2. Provide incentives to finish high school. 68% of those on AFDC rolls have never finished high school and many lack even the most rudimentary skills, such as the ability to read a map;
3. Provide an incentive to work. During former President Ronald Reagan's transition in 1980, many able-bodied recipients were petrified that he would carry out his campaign promise and slash welfare. They hustled to get jobs. But soon their fears of campaign rhetoric subsided and many returned to the public dole. It was clear that simply fearing the loss of social assistance may have been the greatest motivator to get their lives in order.
- Rather than using fear as the big stick, we can utilize compassion and commitment with a "fill the gap" measure which will reduce the number of recipients returning to welfare. Once employed, "fill the gap" by continuing medical and child care benefits for a period of transition while the recipient is trying to catch up and get their feet on the ground financially;

- For example, a single mother can make \$12,000 per year on welfare programs, but only \$9,000 at a minimum wage job. The government can save \$9,000 per family by continuing her medical and food stamps while she's being paid by a private employer. Most of all, she is gaining self worth and independence.
- 4. Provide a tax credit to companies as an incentive for employing individuals who are trying to get off of welfare;
  - Oklahoma has been at the forefront of welfare reform, and last year, more than 3,500 people moved into unsubsidized employment. These numbers could increase by providing a tax credit to employers.
- 5. Deter inter-generational dependency through Learn-fare which requires 80% school attendance to receive AFDC benefits. Learn-fare begins this spring in two Oklahoma school districts.
- 6. Deter food stamp fraud and theft. Although a small percentage of welfare program users abuse the system, in all the homes I have visited across the country, I have never seen a \$600 toilet seat in a welfare home.
  - Oklahoma will begin this summer an electronic benefits transfer card that functions similar to a credit card and will reduce abuse.
- 7. Provide public service work opportunities which will help weave welfare recipients into America's mainstream working fabric.
  - Oklahoma is seeking a 3-year limit on benefits, at which time recipients have to fulfill public service work requirements.
- 8. Raise the maximum worth allowed for a recipient's car from \$1,500 to \$5,000. Recipient families need a car so they can have transportation to interviews and jobs that may be outside of their immediate locale and because public transportation, if available, has limited routes and time schedules.
- 9. "Head Start" should be renamed "Equal Start" so that poor children feel that they are on the same playing field as middle-class children;
- 10. Take reform to the front lines. The Personal Responsibility Act acknowledges that the best solutions come from the states, not Washington, D.C. Regardless of success or failure, Washington cannot wash itself from responsibility by turning it over to the states. Whichever level welfare programs are administered, safety nets need to be built in for the thousands of unique cases ranging from south Chicago to the Appalachia to Indian Reservations.
  - The government can assist in taking the aid directly to the needy by providing tax credits to non-governmental groups, such as feeding centers that are on the front line distributing food and other essentials directly to the people.
    - Hubert Humphrey stated "the impersonal hand of government can never replace the helping hand of a neighbor."
  - A report in the Independent Sector found that churches and synagogues are the primary service providers for neighborhoods. The poorer the community, the larger impact by the church or synagogue.
  - Programs similar to The S.P.O.T. in Oklahoma City, which provide a variety of social services, can be the safety net for those who need extra attention not provided by state or local governments.
    - A middle-aged mother who graduated from The S.P.O.T. program stated that it helped her to overcome fear of applying for jobs and boosted her self-confidence. She felt looked down upon by the Department of Human Services staff which perpetuated her loss of confidence and courage.

#### **MINIMUM-WAGE COMPUTER JOB**

I know that the subcommittee members have heard countless reasons why people remain on welfare and how it can be fixed, so I would like to recap these reasons by taking a closer look at the old adage, give a man a fish and you feed him for a day, but teach him to fish and you feed him for a lifetime.

For the sake of today's reality, I will use a minimum-wage job as a substitute for going fishing.

Once upon a time, a mother of two children wanted to get off welfare; she decided to take control of her life, apply this old adage, and began working in an entry-level position at a computer firm as an assembler at minimum-wage.

First, the mother, Alison, has to have a car to get to work because the bus route doesn't include the suburbs.

But, she's afraid to drive because her car frequently breaks down.

Alison cannot afford to pay \$200 to have it fixed because then she wouldn't have any money to pay the gas, water and electric bills.

She's determined not to let any barriers obstruct her path toward independence and a productive life, so she goes ahead and drives to work, dropping off her toddlers, Ryan and Leslie, at the day care center.

The cost of day care is \$135 per week for both children, but her minimum wage job as a computer assembler only brings home \$180 per week.

While restoring self-worth and earning independence, she's now spending 75% of her money -- earned the old-fashioned way -- on day care.

On Alison's first day at work, she finds her peers are mostly college graduates, who are also trying to make ends meet.

But now, she loses a little bit of hope for a promotion to a better paying job within the company because her peers have an advanced education, and she is still completing her GED in between working 40 hours a week and maintaining a decent home for Ryan and Leslie.

Alison remains motivated to get off welfare and refuses to lose any courage or to feel threatened by her fellow high achievers and works as hard as she can.

At 10:00, Alison meets some of her new colleagues in the coffee-break room. The first person she meets is Patty who has worked on the assembly line for four years and is still making minimum wage.

Patty had one year of college before marrying and now is the single mother of three children. She explains that after four consistent years of working, she still cannot properly feed and clothe her children on her wages.

Since the assembly-line work is a dead-end job at this company, Patty said she works a second job on Friday nights, Saturdays and Sundays.

Although this second job helps her pay the bills, she never gets to see her children.

Patty said she read an article last month where the Labor Department released figures citing more Americans are holding down two or more jobs than there are unemployed.

"You know," said Patty, "they say teach a person to fish and you feed them for a lifetime, but I've been fishing and I still can't feed my family through the end of the month. Apparently, fishing in this market doesn't pay."

Patty tells Alison that if the power suiters in Washington really wanted us off welfare, they would at least encourage companies to pay what welfare pays.

"I may have only completed one year of college, but you know the Democrats approach hasn't worked and I checked out the 'Contract With America' the other day at the library," Patty continued.

"The solution is very simple, but because they try to complicate everything, they didn't even notice it in their own book." (Patty's answer is on page 75 in the "Contract With America" paperback version.)

"I can make \$12,000 a year on welfare programs, but only \$9,000 at my minimum wage job. The government could easily save \$9,000 by letting me work and continuing my medical benefits and food stamps. In the meantime, I'm restoring my self-worth and being a productive citizen."

Sitting at the next table is Natasha who begins to tell Alison and Patty how she completed her masters degree in business administration and even worked for a National Football League player.

Natasha added that the government could provide an incentive to companies by offering tax credits for hiring employees who are trying to get off of welfare.

At the end of football season, Natasha lost her job and has not been able to find another one. So she's assembling computers in order to put food on the table for her children.

Natasha confided to the group about how she and her husband decided to divorce so that she could get more money as a single mother -- for the children's sake.

She said it seems that this cycle of poverty breeds dissension.

Then during the scheduled lunch hour, an older woman named Betty told Alison that if it had not been for her church food pantry, that her family would not have had enough food to eat after her husband lost his job at the town's Savings and Loan due to layoffs.

Betty said "Hubert Humphrey must have been right when he said 'the impersonal hand of government can never replace the helping hand of a neighbor.'"

However, her husband's hopes had been raised upon hearing that one of his laid-off friends got a decent-paying job at the next town's bank.

Betty told Alison "well, that's great, but he is only one in 259,529 Oklahomans in line for decent-paying jobs."

Alison wondered how it is that during campaigns when politicians listen to the voters concerns at media-hyped town hall meetings and when they arrive in Washington, they seem to lose their memory.

Alison's remedy is that politicians may need to be treated for Alzheimer's.

Natasha looks and sees two pastors on their weekly visits. She calls them over and tells them that they were discussing the downside of their jobs and why we are worse off than when we were on welfare.

Dr. William Bonner, of Christ Church, and Reverend Homer Smith, of Greater Hope God In Christ Soon Coming King A.M.E. Church, said they combined the efforts of their exclusively white and African-American churches because they were amazed at how much can get done when no one cares who gets the credit.

Reverend Smith said he doesn't understand Washington. People say Democrats understand what happened in November 1994, but I don't think they understand any more than the Republicans did in 1992.

I guess Will Rogers was right -- there's not a dime's worth of difference between the Democrats and Republicans.

Dr. Bonner agrees by saying we ought to follow the command of our Lord by having a banquet for the poor, the hurting and the rejected. Today's political parties have "parties" for themselves.

Dr. Bonner asks everyone if they read about the \$15,000 -- and the \$50,000 -- per plate parties.

Alison said "you don't have to have a party for me . . . just help me keep food on the table."

Reverend Smith mentioned that he saw on ABC "Prime Time" a story about an African-American woman who sells food stamps and buys drugs which gives the wrong impression since most Americans already believe more blacks are on welfare than whites.

Reverend Smith continued that we all should know by now that actually half of welfare recipients are white and that only 10% misuse the system.

Another employee said "well, all I have to say is that no one will ever find a \$600 toilet seat in a welfare mother's home."

Betty laid bets that probably most sitting legislators did not personally know a poor person, nor anyone who had ever been on welfare.

But, she hoped that maybe Congresswoman Lynn Woolsey will begin to educate her peers about life on welfare.

Betty said if the government gives the money to states, they had better have safety nets because everyone will not fall into the same category.

Just as they were wrapping up on how Washington probably intends to throw the responsibility back to the states so that they can escape any blame, a part-time employee, Jeffrey, became ill. Everyone rushed to his aid, and one of the college-graduates started to call for an ambulance.

But the ailing man said not to call because his medical bills are already insurmountable, taking every penny he earns at work. As a part-time employee, Jeffrey said that he does not have any medical benefits.

A sense of hopelessness overwhelms Alison and squashes any courage and motivation. She begins to leave work, and now her car won't start.

If her children, Ryan and Leslie, are not picked up within 15 minutes, the day care will charge her an extra \$1 per minute that she is late.

Panic takes over, eventually the car starts. Alison is 15 minutes late to the day care center and she has to fork over \$15 which was budgeted for food.

It's the last week of the month when the local food pantry usually runs out of food, so Alison, Ryan and Leslie arrive home to sit down for dinner -- at an empty table.

The next morning, Alison has to miss work in order to locate a food pantry with food which can only be done during business hours. In the meantime, she loses her morning wages - \$17.

The frustration is too much, so she buys some cheap cocaine in order to escape the moment. But she still finds herself entrapped in the cycle of poverty.

These are real stories, but the names were changed to protect the victims of poverty.

### CLOSING

American voters made one of the boldest moves ever in modern political history. Collectively, they have become the commander-in-chief of the legislative branch with orders for a revolution of far greater impact than the executive branch during the Reagan Revolution.

The American electorate has breathed a second wind into President Abraham Lincoln's Gettysburg Address "that this nation under God shall have a new birth of freedom, and that government of the people, by the people, for the people shall not perish from the earth."

Your constituents, in their new role as commander-in-chief, expect a bold, swift response to a tall order. Otherwise, they are capable of ordering dishonorable discharges again in November 1996.

An African proverb states "poverty makes a free man become a slave."

Programs like AFDC, combined with food stamps and housing assistance, although meant for good, have broken up more families than slavery ever did.

As a result of these broken families, children are being raised without fathers in the home. This single fact contributes more than anything to the chaotic atmosphere in America.

The downward spiral of poverty is the root for many of our country's ailments. The deeper the root grows, the more crime, drugs, illegitimacy and illiteracy sprout like uncontrollable weeds.

As a child, I remember watching my mother pull weeds in the yard. Congress needs a weed-pulling 104th Session and spend the necessary time on shaping an effective welfare program that encourages an upward spiral out of poverty and starves the ailments.

Even Aristotle and Marcus Aurelius knew in their days that "poverty is the mother of crime."

A current congressman of the majority party told me recently that both Democrats and Republicans are only nibbling at the welfare problem.

In the meantime, the new Congress is distracting itself by playing "gotcha politics" and "gotcha journalism," instead of focusing on real problems.

I hope that I do not have to return in 25 years to testify about a mess that was created in 1995. Welfare reform is inevitable. It's something that is needed. Hopefully, we have learned why the War on Poverty programs have not worked and we'll get it right in 1995.

As a voter, I charge each of you to respond to the electorate's order for welfare reform with boldness, statesmanship and leadership.

Voters have expressed a contempt, similar to Walter Lippmann's tone in Drift and Mastery, for "anyone who picks his way through the world as if he were walking on eggs." Government exists not that some can have more, but that all can have some.

Make today the beginning of the "Contract With All America."



Mr. RANGEL. Listen, there goes those bells again, but let me say this. Those children are going to need some help. If we were dealing with capital gains tax cuts tonight, there would be lines outside trying to get into this room and every seat would be filled, but unfortunately, if you have the votes, you move with it and the kids are going to lose.

I just wish there was some way that nobody in America could say, I didn't know they meant that. And I want to thank you all for waiting so long to share with us what is in your hearts and try to think of some way that the rest of America that mean well, look at the fine print. Everyone is frustrated with the system, but most people didn't know that they meant to do this.

Thank you so much.

Mr. FORD. Thank you very much.

Mr. Collins.

I am going to be very brief. I have to go and vote as well.

I would like to associate myself with the remarks made by my colleague from New York, Mr. Rangel. And I would like to thank Ms. Nelson and the ministers of the clergy for your testimony before this Committee. And I, too, would trust that all of us, Democrats and Republicans alike, will put children first and think what is in the best interest of our children and the poor children of this country more so than anything else.

Thank you again.

Mr. COLLINS [presiding]. Well, as you can see, we are quite busy running back and forth across the street. I think we all need a set of roller skates. We do appreciate each of you coming and your patience in waiting to testify, and we do hate it that there has been such an interruption in between testimonies.

Larry, I just caught the tail end of your comments. I wish I had been here to hear the full amount, as I had heard most of the other speakers, because it sounded like you were just bringing over a carryover from yesterday. I am sure you had a real stemwinder yesterday morning in the pulpit, so it sounded like you were carrying it forward.

I think it is very important to understand that no one group, no one party, no one individual has the answer to the situation we are facing with welfare reform or welfare replacement, or however you want to describe it. I think you made a very good point that it shouldn't matter who gets the credit, but what is done. Getting the job done is what is important.

We are not only faced with trying to do something in the area of just welfare reform itself as far as that type of legislation, but we are faced with several other areas of legislation that we are dealing with that I think go hand in hand with welfare reform, and that is in the area of job creation. We must put back in place the necessary incentives, and I don't think we are looking at quite all the things that we need to look at in tax reforms with just the bills that we have facing us, we have put forth with the Contract With America.

I think we have to go further into the Tax Codes later on this year or sometime early next year, but if we are going to have any success with this program, we must look at the incentives and cre-

ate jobs that pay people enough to look away from that incentive to stay on welfare and look toward the job placement.

So I am hoping again that not only will we have bipartisan efforts in the area of welfare reform or welfare replacement, but we will also have bipartisan effort in the area of creating jobs to put those people—remove them from welfare to a work setting.

I see a couple of my colleagues are back.

Questions, Ms. Dunn, or Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

Sorry about not hearing the rest of your testimony. They got us on a wild schedule tonight.

Rabbi, I would like to have a little dialog about some of the things that you addressed. You mentioned in the Bible that there is a long history of taking care of the poor, those who are truly needy, but from my understanding of reading the Bible, it was voluntary. It was not a forced giving—I mean, it was a commandment from God but it wasn't a commandment from the government to take care of the poor.

Rabbi SAPERSTEIN. Yes.

Mr. ENSIGN. And the reason I bring that up is because the word "compassion" means to suffer with, and it seems difficult to me for the government to be compassionate by definition. It seems that private organizations, churches, synagogues, local charitable-type organizations, there is that human factor there, that somebody is not subjugated to a bureaucrat waiting in a line. And while there needs to be some—whether it is Federal Government, local government, State government, whatever—there has to be some kind of an involvement there, especially how massive the system is now, until at least we can work toward more of a charitable-type situation, but it seems to me that it is so much more compassionate.

It seems to me that it is a system that is more of a hand up than a handout, and it is done so much more with taking into account specific needs instead of a cookie-cutter approach to every single case.

Your comments?

Rabbi SAPERSTEIN. These are important questions and I am glad that you put them on the table. In each profession, there are certain assumptions that people who live and breathe in that profession know about, and there is much you take for granted in political life that we may not know. Let me just share with you one thing that everyone at this table is aware of.

Mr. ENSIGN. By the way, I haven't been here long enough to take it for granted.

Rabbi SAPERSTEIN. In the Bible, there is no word for charity. Let me also point out: I have been teaching Jewish law for 15 years at Georgetown Law School and have written widely in this area. There is no word for charity. It doesn't exist. The word in the text is *tzedaka*, and it is the only word we have that approximates charity. It is a word that means righteousness and justice, and it refers to the money an individual gives to help poor people. It is called *tzedaka* money.

That system was incumbent upon people. It was the equivalent to a taxation system. You could do more over and above that if you wanted, but you owed that, coming from the Biblical idea that

what we own, we own in a trust relationship with God. "The Earth is the Lord's and the fullness thereof." And the Jewish tradition understood that, as trustees we were obligated to share the wealth that God had entrusted to us with those of God's children who were less fortunate.

The second point I would make is that, in the Bible, it wasn't totally clear who insured that the poor would be fed and the widow and orphan taken care of, who would insure that the corner of the field would be set aside for the hungry. But by Talmudic times, 2,000 years ago—at the time that Jesus lived—it was widely agreed upon. And it is different than either liberalism or conservatism today. It was both an individual responsibility and also a governmental responsibility.

Every community had to have at least four major social welfare funds, plus a school for rich and poor alike, a food fund, a money fund, a clothing fund and a burial fund. In the Middle Ages, that had grown into a full network of social welfare institutions run by the community, as a matter of fundamental justice, akin to the ones that we have today. And government could intervene in the workings of the economic institutions in order to make them fairer and more equitable.

The tradition was also very sophisticated and knew many of the counterproductive problems that we face today, problems with which you are wrestling with. The tradition dealt with all of these problems, but the test was always protecting the children and the vulnerable to make sure that, in Paul Tillich's words, I think it was, God's pervasive preference for the poor was taken care of. That was our responsibility, and that is what we are asking of you.

Reform it in whatever way you want, but make sure we don't reform it by plunging more people into poverty and hurting more children. That is the basic test.

Mr. ENSIGN. The point I think a lot of us want to make is that right now we are destroying the children. We have done that for the last umpteen number of years, percentagewise so many more children than we ever destroyed before by our welfare system. Our welfare system has destroyed the inner-city family, has destroyed those children. They grow up with more crime, with more feeling of despair under the current system. And saying that we are doing that to protect the children would be just as wrong as doing nothing. What we have to do is we have to seek to try to do the best that we can for these children, for the next generations.

Rabbi SAPERSTEIN. We are the ones who work on the ground with these people. None of us are naive about the reality of the problems that you identified. There may be a little of the post hoc, propter-hoc policy that because two things happen in sequence, they are connected, because welfare is what it is and the other problems are connected.

Putting that aside, every one of the problems you are wrestling with, we recognize. And as you heard alluded in the testimony here, to every one of those problems, we can suggest effective, proven responses. Substantial programs to address them not in a naive sense of maintaining just the status quo, but changing the status quo to strengthen families, to reduce illegitimate births, to reduce

fraud. We can talk about things that work, that really work, in a way that won't penalize the children.

We ask you to look at this testimony carefully in that light to see other ways than the Contract has proposed, the Personal Responsibility Act has proposed, to achieve the very goals you want without punishing the children.

Mr. ENSIGN. Thank you, Mr. Chairman.

Reverend KAMMER. May I add something?

I think there is a vast misunderstanding of the capacity and the relative roles of government and the churches. What we do, most of us, all of us I think, is we help people in those moments of crisis when whatever their means of income—job, AFDC, SSI, Social Security—doesn't meet their needs. So we help them with the rent deposit that they can't put together or to pay the medical bill that they can't deal with, and so forth.

None of us provide baseline income to poor families. That is a task, and this is in Catholic social teaching, that this Nation recognized 60 years ago that we did not have the capacity for.

Mr. ENSIGN. If you will indulge me for 30 seconds.

Mr. COLLINS. Thirty seconds.

Mr. ENSIGN. Thank you.

From my perspective, that is wrong. From my perspective, the church isn't an institution. The church is the people in that institution. We need to have the church, the synagogues, take the roles back. Bring back where a family sees another family in need, a widow, or whoever it is, in need and they adopt that family as a body, and that is where I think the church's role is. I don't think that is government's role.

Reverend KAMMER. Let me give you an example; we were serving 3 million people in 1981. We are serving 10.5 million people in 1993. In those 3 million people in 1981, only 1 million needed emergency assistance, food and shelter. So for 2 million others, what we were doing was helping people get back on their feet. Now it is 7 million people needing emergency assistance, food and shelter, because of the downturn in the economy and the cutback in government programs and services.

So we have reached out and stretched ourselves, and all of us can give you statistics like that, but, in fact, the very burdens that have been pushed onto us because people can't meet their basic needs, make it impossible for us to do the long-term personal change kinds of work we had always done to help people get back on their feet. We have—I mean, it is a 700-percent increase in Catholic Charities across this country in 12 years. So we have done that.

But what we hear you saying to us, sir, in the Contract is, there are another 5 million people coming, folks, who are going to need that baseline income for themselves, which we have never had the resources to provide. Our people are immensely generous, and our parishes across this country have opened soup kitchens and food banks and food pantries and reached out to families and done emergency assistance and driven people to the doctor, and so forth, but we cannot carry the burden that we see—this is universal—you are about to lay on us.

Mr. COLLINS. Let's move on and Ms. Dunn, do you have a question, please?

Ms. DUNN. Thank you, Mr. Chairman.

Sorry that I missed most of your testimony, but it wasn't because we didn't want to be here.

Father Kammer, I wanted to ask you a question. I was interested in your question, the idea of the atonement child, and it is a point of view I hadn't considered before. It was very interesting to me. I wanted you to link that up with your comment that "orphanages are us."

As you know, we have discussed this concept and been ridiculed by a lot of folks who don't understand the meaning behind it. I would like you to give us the perspective of the Catholic Church and how you provided the sort of care that is so useful to a mother and child together and perhaps design a model that might be useful to us as we put our program together.

Reverend KAMMER. Thank you for the question. As I say, we take care of about 20 percent of the kids in the country who are in some form of alternate care, out-of-home care, whether it is foster care, group homes, or the more traditional residential facilities.

We think there is a place for all of that spectrum of care, depending on the kids. Our people who run the more, what you would call, restrictive residential facilities, think we often get kids too late off the foster care system that come to us with very, very severe, multiple presenting problems, who would have been better off if they had come to us 5 years earlier. There is a need to look at the child welfare system around that question.

We distinguish, and this is the point, the conversation on welfare and the problem of orphanages which was the political debate over the last 6 or 8 weeks. The question about child welfare and the child welfare system and abuse is separate from the question of AFDC or family income support, and I think they have to be looked at separately.

But in that area, let me come back to that, of young teen parents, we have argued for, in our presentation and from the experience of our agencies of about 10 years of some trial and error programs, that for young teen mothers, we think they need a structured environment with supportive services to help them be good parents and to raise their kids and to avoid future pregnancies, and so forth. And that can be done either in their home, if the home is not a place of violence and sexual abuse, and so forth, or it needs to be done in an alternate structured environment, which could be, again, depending on the mother and child, a group home, sheltered environment, apartment living, where the other services are offered to them. And we think they need that. And that will, in our experience, reverse the repetition. There is both a cycle of poverty and a cycle of teen pregnancy in this country.

And so that is what we have tried to offer to the Committee. And so we would see just not giving a check, for example, to a young teen mother and sending her out to an apartment. That is a destructive process, we think.

Ms. DUNN. And I really think that is what we are trying to get at when we hear Members on our side of the aisle talk about orphanages. Maybe that is not the right term anymore. It is that

same idea of a structured, loving environment, where the young girl and her child will have a chance of avoiding that cycle that none of us wants.

Reverend KAMMER. But they are immensely expensive, and that part of the debate was correct on the other side of the aisle. In other words, the whole country made a decision 50, 60 years ago—actually the material I read says at the turn of this century—that it was better not to institutionalize children unnecessarily. Nobody is talking orphanages in the sense of taking 1-month-old babies and putting them into a facility. None of those exist anymore. It is always done in the context where you can have either a loving parent or an alternate to a loving parent, but that some children, and even some mothers with children, need a more structured environment.

But it is very expensive, and so all the States, everyone, have pushed the people needing help as much as possible into the least structured environment. But we think the full spectrum has to exist across the country, and different people will need different responses to their needs.

Ms. DUNN. Thank you.

Mr. COLLINS. Thank you.

Again, thank each of you.

Chairman SHAW. Mr. Chairman, let me if I could, just put a point in here with Father Kammer, because I think there is a lot out there that is misunderstood.

What you are talking about for the young mom, putting her in a structured environment, that is what our bill says. It just says that we are not going to pay cash benefits. You are against that.

You are against the cash benefits, so are we, but we are not cutting them off. We are not walking away from these people. They are the most vulnerable among us. We want to keep the mother with the child and we are going to do all we can to see that that happens.

So I think there is a lot of fear out there that is unjustified. This is not a heartless bill. We are working together, we are trying to work together.

I think, Reverend Jones, you made reference to some bipartisan efforts going on. There are. We have a team put together of the Governors. We have heard from three Democrat and three Republican Governors. We are on the same track. We disagree around the fringes and around the edges, but we are working together.

The President convened us down at the White House this weekend. We saw people working together and cooperating like we have never seen before. And so we are working together. We are talking about the poor. We are talking about children, and we are going to see these children are taken care of.

I think one thing that everyone on this panel and everyone up here on the Committee will agree upon, the present system is broken, the present system needs to be repaired, and we are going to do it and we are going to do it in a bipartisan way.

We will have our disagreements and those disagreements will be what is amplified, but when it is done, we are going to have a product that is a lot better than what we have today.

Thank you, Mr. Chairman.

Mr. RANGEL. Mr. Chairman, every time I hear from Chairman Shaw, I feel better, because the things I have been reading that have been attributed to your party, are not the kind, compassionate words that I hear from you, I believe.

I have just heard these wonderful centers for mothers being described, that is what the Speaker meant when he said orphanages. And I just wish, Mr. Chairman, Chairman Shaw, that we can get some sunlight on these meetings where you are coming up with all of this compassion, because I am still reading from the old papers that were submitted.

Now, is there a safety net in the Contract For America, to America, that provides that the child would be protected? It sounds like that is what you are saying.

Is there a safety net that if there is no employment at all in a particular community and the person tried to find work, the Contract says 2 years and it is all over. Is there anything that says that if a mother really tries to identify the father and they can't, the State won't help, according to the Contract, it is all over. So if we are changing these rules, let us all work together and throw away the Contract and come up with something that has some compassion for, if no one else, for the child.

Now, I hate to keep doing this but you have to admit that the Contract is pretty mean spirited. I mean, it doesn't have these things that you talk—

Chairman SHAW. I think it is a question of really reading the Contract. When we talk about the question of the young mothers, there are provisions for them and it is set out in there. Unfortunately, the only one that anyone has been reading about is the one that says orphanage and that is the only time that word is even used in the whole Contract.

Mr. RANGEL. Strike orphanage. I am saying 18 years old, you are not living with your mother, you have been kicked out, can you get any welfare at all?

Chairman SHAW. Yes, yes, they will be helped.

Mr. RANGEL. AFDC? That is in the Contract?

Chairman SHAW. They will not get it in the form of cash benefits. That is in the Contract.

You know, you sat through these hearings, too, just like I did. We had one witness that said something that I think is just staying right with me. They said giving a 14-year-old, a 15-year-old cash benefits, is a federally funded form of child abuse. And I think that is what we are hearing from the witnesses. We need a structured environment. We need to bring them together and there are provisions where they can be held. Group homes, foster homes, and these moneys can be used for this purpose and that is where it ought to be spent.

Mr. RANGEL. What I am asking is, is there a safety net? I don't want to just tell the States these are the wonderful things we can do.

Chairman SHAW. I will be offering an amendment that will provide that a certain percentage can be set aside by the States to take care of exceptional circumstances, and these circumstances will be in the areas that you are referring to.

Mr. RANGEL. If I didn't have faith and confidence in your friendship and compassion, I would be a very disappointed Member of this Committee. So I am going to disregard what is in that Contract and I am going to depend on you.

Chairman SHAW. Thank you, Charlie.

Reverend JONES. I think I should just say one thing. We were just given 16 apartments and a group has come to us in Oklahoma City addressing this very issue. The girls are kicked out, they are under 18, they don't have a place to stay, and we are fixing these apartments up so that these girls can live. We are giving up 32 other apartments, but they were in what you would call an unsafe part of town.

So I think this problem may be larger than most people realize. When a young girl does have a child, often times she is kicked out of the house and has no place to go. And then, of course, the next step is if we can take care of her child at day care and get her back in school, that is what we want to do. We want to make them productive citizens.

But my concern is, because I am dealing with that as we speak, there has to be some kind of safety net. Young girls in exceptional circumstances are out there and we can't control them. We wish they weren't, but they are. So I would just second that because we are dealing with this issue as we speak.

Mr. COLLINS [presiding]. Thanks again, and I think that safety net is going to come from the fact that there are 50 States out there that we are going to give some flexibility to, and we are also going to have the appropriations process to fund those needs as they come about.

We have got another vote on the floor, Mr. Chairman.

What do you want to do?

Chairman SHAW. I would say, we have got three Members who have come back religiously with us wanting to be heard. If you want to be heard tonight, we will come back and take your testimony immediately following the next vote, or we can schedule you first thing in the morning on Thursday's hearing, whichever you prefer. I would hope you would make the decision together.

Mr. KNOLLENBERG. We prefer to do it tonight, I think.

Chairman SHAW. Very fine. We shall return.

[Recess.]

Mr. COLLINS [presiding]. By order of the list, we will start with Joe Knollenberg, Michigan.

#### **STATEMENT OF HON. JOE KNOLLENBERG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. KNOLLENBERG. Mr. Chairman, thank you, and thanks to the Members of the Committee who haven't arrived as yet but will be soon.

I want to thank you for the opportunity to appear here today. Mr. Kolbe and I have asked to be here because we feel that we have an idea that can revolutionize the way we deliver social services to the Nation's poor.

Over the last 60 years, government, whether it be Federal, State or local, has assumed almost complete responsibility for caring for the Nation's poor. Like it or not, our delivery system has essen-



tially become a government monopoly, and it exhibits all the worst symptoms. It is woefully expensive, it is overly bureaucratic, pre-occupied with process and client ignorant.

The American welfare monopoly has also undercut the efforts of private organizations, it has made it nearly impossible for charities to place conditions on their aid, when prospective recipients can walk down to the local welfare office and pick up a government check, no strings attached. It has almost singlehandedly created what the "Wall Street Journal's" John Fun calls the "I gave at the office syndrome." In fact, the portion of charitable giving in this country devoted to alleviating poverty has declined by a shocking one-third since 1960.

The question remains, how should we reform the system? Yes, program consolidation and State block grants, we feel, are steps in the right direction, but they are not enough. Our bill, like many others, would consolidate dozens of overlapping, inefficient Federal programs and put that money into a State block grant.

Briefly, it provides for a choice in welfare tax credit that would give individual citizens a voice in how this country fights poverty. Under our plan, every taxpaying American would be free to direct up to 10 percent of their Federal income taxes to a charitable organization in their community that is engaged in antipoverty efforts. Each time a taxpayer claimed this credit, the Federal Government would make a corresponding reduction in their State's block grant, thereby making it revenue neutral.

In addition, to insure that tax credit contributions are reaching the people they are intended to serve, it would be necessary to place certain restrictions on participating charitable organizations. For instance, charities would be prohibited from using the proceeds to engage in lobbying or litigation activities. It would also require that at least 70 percent of the participating charity's expenses be directly allocated to the poor, and to maintain the separation of church and state, religious organizations must have a subsidiary devoted to social welfare to be eligible. Organizations that have a religious component but are primarily focused on social welfare, such as the Salvation Army would be eligible as well.

Finally, to guard against fraud, taxpayers themselves would not be allowed to donate tax-credit-funded contributions to charities in which they have a financial interest. Once Congress appropriated the money for this account, I am talking about a funding mechanism, a revolving account that would be set in motion within the Treasury Department, once Congress had appropriated the money for this account, a small portion would be set aside to cover the cost of the tax credit and the rest would be given to the States in block grant form.

It is important to note that the tax credit block grant funding mechanism will be separated at the State level, and, for instance, I can draw upon my own State of Michigan, that the total Federal grant would be determined by how many of its citizens gave to instate qualified charitable organizations. This is to insure that the effects of competition are always tangible.

A couple of other provisions worth noting. First, we phase in the tax credit over 5 years to insure that a transition to a public-private partnership is a gradual one. And second, while we place

dollar caps on the credit, any contribution above the level would be tax deductible, as it currently is. Similarly, contributions to other nonprofits would also retain their present deductibility.

In closing, I would ask that the entirety of our testimony, my testimony, be submitted for the record. We believe that if our bill was enacted, we could at once reduce Federal spending and micromanagement, create competition among the aid providers, reinvigorate a charitable sector whose tremendous capacity has been subverted by government intrusion, and finally begin to attack poverty in a truly meaningful and effective way.

That concludes my testimony, and I wait for any questions.

Thank you, Mr. Chairman.

[The prepared statement follows:]

TESTIMONY BY CONGRESSMEN JOE KNOLLENBERG  
BEFORE THE HOUSE WAYS AND MEANS COMMITTEE  
SUBCOMMITTEE ON HUMAN RESOURCES  
JANUARY 30, 1995

Mr. Chairman, members of the Committee, I would like to thank you for this opportunity to appear before you today.

Mr. Kolbe and I have asked to be here because we feel we have an idea that can revolutionize the way we deliver social services to the nation's poor. Until now, the welfare reform debate has focused primarily on changing the behavior of the welfare recipient, through time limits, work requirements, denial of benefits for out-of-wedlock births, etc. But while these issues are important, we have concentrated our focus on the shortcomings in the way we deliver aid to the poor. Yes, program consolidation and state block grants are steps in the right direction, but we believe that these reforms alone will not change the inefficiencies of our current system.

Since the 1930s, America's welfare delivery system has become a government monopoly. And like other government monopolies, it is woefully expensive, bureaucracy-laden and out-of-touch with the needs of the people it serves. Every year, it gobbles more of our tax dollars without any incentive to cut costs or streamline itself. In the words of Indianapolis Mayor Steve Goldsmith, "the federal government offers the best deal in town: The more you spend, the more you get. Don't worry about results."

How should we reform the welfare *delivery* system? The answer is: the same way we would reform any other government monopoly -- by breaking it up creating **competition**.

Tomorrow morning, we will be introducing legislation that seeks to break the welfare monopoly by putting the reins of reform directly in the hands of the American people.

Our bill, like many others, would consolidate dozens of overlapping, inefficient federal programs and put that money into a state block grant. However, we would also provide a "Choice in Welfare" tax credit to give individual citizens a voice in how this country fights poverty. Under our plan, every taxpaying American would be free to donate up to 10% of their federal income taxes to a charitable organization engaged in anti-poverty relief efforts in their community. This credit would be paid for by making corresponding reductions in the their state's block grant.

The federal government already has a regulatory framework in place for overseeing non-profit organizations, thus minimizing the need for additional bureaucracy. However, for the legislation to work properly, it would be necessary to place certain restrictions on participating charitable organizations. For instance, charities should be prohibited from using the proceeds to engage in lobbying or litigation activities. We would also require that at least 70% of a participating charity's expenses be allocated directly to the poor.

And charities would be required to expend tax credit-generated contributions within one year of receipt.

To maintain the separation of church and state, religious organizations must have a subsidiary devoted to social welfare to be eligible. Organizations that have a religious component, but are primarily focused on social welfare (i.e. Salvation Army) would be eligible as well. Finally, taxpayers themselves would not be allowed to donate tax credit-funded contributions to charities in which they have a financial interest.

While the concept of "Choice in Welfare" is a simple one, its implementation at the federal level proved to be one of the trickier provisions of our bill. We believe that the tax credit could be adapted to a block grant system regardless of its structure. However, we wanted to create a direct link between the tax credit and the block grant, while at the same time giving the states some ability to anticipate future funding levels.

Our bill would create of a revolving account within the Treasury Department that would hold the vast majority of the money the federal government intends to spend on poverty in the next fiscal year. Once Congress appropriated the money for this account, a small portion would be set aside to cover the cost of the tax credit, and the rest would be given to the states in block grant form. At the end of the fiscal year, any funds left in the set-aside because taxpayers opted not to use the tax credit, would be given to states as a "bonus."

It is important to note that the tax credit/block grant funding mechanism will be separated at the state level. For instance, Michigan's total federal grant would be determined by how many of its citizens gave to in-state, qualified charitable organizations.

There are a few other provisions worth noting. First, we phase in the tax credit over a five year period to insure that the transition to a public/private partnership is a gradual one. Secondly, while we place dollar caps on the credit, any contribution above that level would be tax deductible as it is now. Similarly, contributions to other non-profits would also retain their present deductibility. (Phase-in: FY 1996-2%/\$500; FY 1997-4%/\$1,000; FY 1998-6%/\$1,500; FY 1999-8%/\$2,000; FY 2000-10%/\$2,500)

In closing, we believe that if our bill was enacted, we could at once reduce federal spending and micro-management, create competition among aid providers, reinvigorate a charitable sector whose tremendous capacity has been subverted by government intrusion, and finally begin to attack poverty in a truly meaningful and effective way.

Chairman SHAW. Mr. Kolbe.

**STATEMENT OF HON. JIM KOLBE, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF ARIZONA**

Mr. KOLBE. Thank you, Mr. Chairman, for this hearing to allow Congressman Knollenberg, my colleague and I to testify on our proposal which we have dubbed the "Common Sense Welfare Reform Act."

We think it is possible, as I think many of you do, to turn the administration of the welfare system over to State governments and to city halls, and block granting social programs to the States is obviously a first step in that direction. Common sense tells us that a program that may work in rural Arizona may not be one that works in Congressman Knollenberg's district in Michigan. But we think the debate ought to be taken a step further, and that is why we are here tonight.

If States can better administer welfare programs, doesn't it follow that citizens ought to know best which programs work in their communities and which are the most cost effective? That is what the Common Sense Welfare Reform Act is about. It is a partnership of State and local entities with individual taxpayers.

As Congressman Joe Knollenberg has explained, our proposal gives the people that pay the bills and provide the services in the community a role in how poverty relief efforts would be structured. We start with the consolidation of 60 overlapping programs run by the Federal Government, and turn the money back to the States in block grant form. That is a step that this Subcommittee is already undertaking, although the debate as to exactly how that block grant would work is not yet completed. It is a precondition, I might add, to making this privatization proposal work.

In our proposal we would allow the taxpayers to contribute up to 10 percent, or an amount not to exceed \$2,500, of their Federal income taxes to qualified private charities in their State in return for a dollar-for-dollar tax credit. The tax credit is paid for by corresponding reductions in the block grant to the State in which the taxpayer lives. By empowering taxpayers to participate in funding decisions for poverty relief services, our proposal serves two purposes.

First, it gives taxpayers a voice in how services are delivered in their communities. We think that individuals who are in the communities and working in these programs and living with them every day, know what is working well. The Federal Government or State governments, for that matter, shouldn't have a monopoly on where welfare dollars are allocated.

Critics of block grant programs contend that many States do not have a good track record of administering social programs. Our proposal diffuses the concentration of authority over spending on poverty relief efforts by leveling the playingfield on which private and public charities compete.

Representative Ensign said something earlier that I thought was very interesting. He said private charities are more of a hand up than a handout, and that is the second purpose of the Common Sense Welfare Reform Act. We reward private charities for doing what they have traditionally done best, and that is providing

prompt, temporary assistance. Private charities view assistance as a tool by which to change behavior. It is not a right nor a way of life, and I think you have heard that in some of the testimony you have had.

Because of this philosophy, both in theory and in practice, it is inconceivable that a family would subsist for generations on a local soup kitchen, food bank or shelter. Private charities stress personal responsibility and provide hands-on management for recipients. The humanizing aspect of private charities is missing from the impersonal public welfare bureaucracy which requires nothing from the recipient except eligibility for aid.

Americans need to become personally involved in reforming the welfare system. If I may be so immodest to suggest that what Congressman Knollenberg and I are proposing this evening is a bold and innovative approach in the Common Sense Welfare Reform Act to allow Americans to do just that.

We hope you will consider taking the welfare debate further to the next step. Let's allow taxpayers a role in providing assistance while giving private charities the opportunity to compete for welfare dollars in a true competitive atmosphere instead of making their funding a function of who has the best grantwriters or who has the best connections in Washington, or for that matter, in Lansing or in Tallahassee.

Thank you, Mr. Chairman.

[The prepared statement follows:]

JIM KOLBE  
5TH DISTRICT, ARIZONA

COMMITTEE ON  
APPROPRIATIONS  
SUBCOMMITTEE ON  
INTERIOR

SUBCOMMITTEE ON  
COMMERCE, JUSTICE,  
STATE AND AGRICULTURE

COMMITTEE ON  
THE BUDGET



**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-0305**

**Testimony by Congressman Jim Kolbe**  
**before the**  
**Committee on Ways and Means**  
**Subcommittee on Human Resources**  
**January 30, 1995**

WASHINGTON OFFICE  
405 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-0305  
(202) 225-2642  
Fax (202) 225-0378

ARIZONA OFFICES:  
1651 NORTH SWAN ROAD, SUITE 112  
TUCSON, AZ 85712  
(602) 881-3888  
Fax (602) 323-8480

77 CILE PORTAL, SUITE B-180  
SIERRA VISTA, AZ 86026  
(602) 459-3118  
Fax (602) 459-5419

Thank you, Mr. Chairman, for allowing Congressman Knollenberg and me to testify on our legislation, the "Common Sense Welfare Reform Act."

We believe it is not only possible, but sensible, to turn the administration of the welfare system over to the state capitols and the city halls. Block granting social programs to the states is a first step in reform of the welfare system. This flexibility is critical to allowing states to test assistance programs best suited to their needs. Common sense tells us that a successful program in rural Arizona may not necessarily work in Detroit, Michigan.

We believe, however, that the debate should be taken a step further -- and that is why we are before you today. If states can better administer welfare programs, shouldn't it follow that citizens know best which programs work in their communities and which are the most cost-effective? That's what our legislation is about -- a partnership of state and local entities with individual taxpayers.

As Congressman Knollenberg has explained, the "Common Sense Welfare Reform" bill will give the people that pay the bills and provide the services in the community a role in how poverty relief efforts are structured. The "Common Sense Welfare Reform Act" consolidates over 60 overlapping, inefficient programs run by the federal government and gives the money directly to the states in block grant form. That's a step your committee is already taking, and is a necessary pre-condition to making our welfare privatization proposal work.

Our proposal allows taxpayers to contribute up to 10% (not to exceed \$2500) of their federal income taxes to qualified private charities in their state in return for a dollar-for-dollar tax credit. This tax credit is paid for by corresponding reductions in the block grant to the state in which the taxpayer lives.

The "Common Sense Welfare Reform Act" serves two purposes by empowering taxpayers to participate in the funding decisions for poverty-relief services. First, we give taxpayers a voice in how services are delivered in their communities. We have faith in the ability of individuals who are in the communities to know what is working well. The federal government -- or state governments, for that matter -- should not have a monopoly on where welfare dollars are allocated. Critics of block grants contend that many states do not have a good track record in administering social programs. Our proposal, however, diffuses the concentration of authority over spending on poverty-relief efforts by leveling the playing field on which private and public charities compete. The "Common Sense Welfare Reform Act" allows taxpayers to determine where their poverty-relief dollars are spent the most effectively.

Second, we reward private charities for doing what they have traditionally done best, and that is to provide prompt, temporary assistance. Private charities view assistance as a tool by which to change behavior -- it is not a right nor a way of life. Because of this philosophy, both in theory and in practice, it is inconceivable that a family would subsist for generations on the local soup kitchen, food bank or shelter. Private charities stress personal responsibility and provide hands-on management for recipients. The humanizing aspect of private charities is missing from the impersonal public welfare bureaucracy which requires nothing from the recipient except eligibility for aid.

Americans need to become personally involved in reforming the welfare system. If I may be so immodest, I would suggest that Congressman Knollenberg and I have a bold and innovative approach in the "Common Sense Welfare Reform Act" to allow Americans to do just that. We hope you will use the momentum in the welfare debate to take your deliberations a step further. Let's allow taxpayers a role in providing assistance, while giving private charities the opportunity to compete for welfare dollars in a true, competitive atmosphere, instead of making their funding a function of who has the best grant writer or the best connections in Washington -- or Lansing or Tallahassee.

Thank you Mr. Chairman.

Chairman SHAW. Mr. Hall.

**STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO**

Mr. HALL. Mr. Chairman, I have a statement, I would like to submit it for the record. I won't read it.

I would like to speak very briefly about microenterprise IDAs, which are individual development accounts, and briefly about block grants. Microenterprise is not something that is new to the world, it is fairly new to the United States.

I have seen microenterprises work in many countries of the world, specifically in Bangladesh. They are experts on it where they provide small amounts of capital to people and they produce a trade, and they have started thousands upon thousands of businesses in Bangladesh, and in many ways, cottage businesses.

I have seen it in the Dominican Republic, where we loaned a man \$50 who was a cobbler, and he, in fact, turned it around and bought some tools to make shoes. He not only makes shoes, he has 22 employees, he exports to all the Caribbean nations, including the United States.

If microenterprises work overseas among poor people, why wouldn't it work in the United States? It has been here awhile, it has been here a few years.

I have been promoting it, a lot of people have been promoting it. It started very big in Iowa, Chicago, some places in New York. I have it in my own district, where we hope to produce 60 new jobs. But the biggest problem with the IDAs and the microenterprise is that we have this asset limitation of \$1,000.

It needs to be weighed, it ought to be increased standard, across-the-board, in my opinion, up to about \$10,000, because what it does is it encourages people to cheat, it encourages people to lie. It is basically, in my opinion, un-American.

We ought to allow people to get medical services and to get some kind of public assistance until they can produce their own job. And it has been my experience of all the microenterprise programs that I have seen in the United States, not one of those people that I am familiar with that ever started in a microenterprise, ever went back to public assistance, ever went back to welfare.

The second thing is, we ought to provide for a way for the poor people to save, and we ought to provide pilot projects in States. There are currently about seven States that are looking at this now, as a matter of fact, they are encouraging legislation, passing legislation, specifically, in Iowa.

I would even go so far as to provide public moneys for it. I have seen poor people save, but they are penalized, here again because of the asset limitations. If we have IRAs for the middle class, we ought to have something for the poor. Poor people say, a lot of people say, well, poor can't save any money. That is not true. They can save a few bucks.

I have seen it down South when I travel with Mike Espy to Mississippi. I have seen it in many different States where they have done IDAs on the local level and microenterprise. And one of the discouraging things I saw is a lady who had a place without running water, there wasn't even an outhouse, they didn't have any-



thing, but she was saving, she was saving about \$5 to \$10 a week, she had an insurance policy she was posting on the wall—not an insurance policy, a burial policy. She wasn't preparing to live, she was preparing to die. And I am saying there is a way to encourage savings.

The third thing is block grants. I believe in what the clergymen say, I don't believe if you put block grants in here on nutritional programs that you create a safety net, and I think you are going to have some major problems. Under the best circumstances in this country today, I pride myself in knowing a little bit about the hungry, both here in the United States and overseas, because I work in this area, not only through churches but through the government, under the best circumstances, even in my district, where we have 3.6 percent unemployment, which we consider full employment, there is still a 25 percent asking of food at food banks and soup kitchens. Most of these people, for the most part, are working poor, so 2 or 3 days out of every month, they have to decide, do I pay for my rent, do I pay for my utility bill, what is going to suffer?

They have to go to the food banks. That is happening under the best circumstances. My district is not unusual. It is a middle-class district, Dayton, Ohio, the suburbs, it is happening across the country.

You put all of the nutrition programs into block grants, as I read your bill, I think we are going to have major problems here in a couple years. It could come much quicker.

Thank you, sir.

[The prepared statement follows:]

**TESTIMONY BY  
 REPRESENTATIVE TONY P. HALL  
 SUBCOMMITTEE ON HUMAN RESOURCES  
 HOUSE WAYS AND MEANS COMMITTEE  
 JANUARY 30, 1995  
 ON WELFARE REFORM**

Thank you Mr. Chairman for this opportunity to testify before your committee on welfare reform. As you know, I have been a strong advocate for welfare reform and this year I will once again reintroduce the Microenterprise and Asset Development Act with Congressman Bill Emerson. This bipartisan legislation is based on the belief that asset-based anti-poverty strategies are an invaluable tool for breaking the cycle of poverty.

The current rules for AFDC provide cash payments for consumption while discouraging savings and enterprise. Too often, welfare reform attempts have been centered on modifying recipients' behavior with penalties. In contrast, asset-based anti-poverty strategies create a path to savings, investment, and accumulation of assets which leads to ending one's own poverty with dignity.

This legislation would remove the restrictions on asset accumulation by poor people by raising the AFDC savings limit above the current \$1,000 ceiling for recipients starting businesses, saving for education and training, or saving to purchase a new home. The legislation would also create Individual Development Accounts (IDAs) which would encourage and reward poor people for savings. These IDAs would be an earnings-bearing, tax-benefitted account whose deposits would be matched on a sliding scale by the Federal and/or State governments. Amounts from an IDA could be withdrawn without penalty only for the purposes of a first-time home purchase, post-secondary education, business development, or retirement.

Mr. Chairman, these are the types of innovative approaches the States are looking for and are already doing. Over 23 states have already adjusted their asset limits and 7 states have made changes to allow for Individual Development Accounts. I was glad to see that the Personal Responsibility Act (H.R. 4) gives the States more flexibility to disregard income from microenterprises in Section 605. However, it needs to include some type of provisions that will support the creation of special savings accounts for the poor like IDAs.

The Federal government spends more than \$100 billion per year to provide incentives to middle-income and upper-income people to accumulate savings and assets through home mortgage interest deductions and tax deductions for retirement pension accounts. Federal anti-poverty policy should support asset-building activities, not penalize them. Current policy is telling the poor that they cannot save for their children's education, that they should sell everything they have just to get some temporary assistance. This traps people on welfare -- which is both morally wrong and economically foolish.

Mr. Chairman, while I support the microenterprise provisions in H.R. 4, I am strongly opposed to the provisions which block grant Federal nutrition programs such as WIC, Food Stamps, and the School Breakfast and Lunch Programs. This would be a terrible mistake.

Block granting these programs would in all likelihood increase hunger amongst our nation's children. States will now have to bear the burden of administering the programs with less funding. States will be forced to make extremely difficult choices like reducing funding for WIC or eliminating the school breakfast programs because they are short of funds.

I believe it is part of the Federal Government's job to set priorities for our nation; and for me, our children are the priority. We can't, in good conscience, be unmoved when children go to bed hungry at night. We can't just send the issue of childhood hunger to the States and hope the problem goes away.

These food assistance programs serve as an important safety net for children. The Food Stamp Program alone serves ten percent of the population in America - half of which are children. We know that for every dollar spent on WIC, we save \$5 in health care costs later on down the road. We know that every child who participates in the school breakfast program is better able to learn in school and thus is more prepared to meet the challenges of the 21st century.

It is time to end childhood hunger, not successful nutrition programs that feed hungry children.

Chairman SHAW. Thank you.

Mr. Hall, the last thing you spoke of is outside of the jurisdiction of this Committee, as I know you are aware. Your friend and cochair on the Hunger Select Committee, Bill Emerson, is carrying the ball in Agriculture and working with Chairman Goodling on that, so this Committee will not be addressing that.

Mr. Collins.

Mr. COLLINS. No questions.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. I am so intrigued by, Mr. Kolbe and Mr. Knollenberg, your idea, and I think I am curious about the management end of it. Maybe you could go into a little bit more depth about how the charitable groups would qualify for the program, whether it would conflict with other supportive organizations like United Way in communities, maybe just tell me a little bit more about it, it is so interesting.

Mr. KNOLLENBERG. I will begin to speak and do that, Ms. Dunn. Any charity that delivers about, about 70 percent or more versus expenses, to an antipoverty effort would qualify. Now, this might mean that some new organizations would be spawned. We have found, I think, the floor is around 60 percent, that is an average, I should say, that most organizations use in terms of delivery. So what we are doing is trying to encourage, obviously, existing organizations that do deal fundamentally with alleviating the welfare or the antipoverty situation, and perhaps encouraging some more to come onstream.

I don't know if that totally answers your question, but it is to really instill some life into those that are there now on a local level, a community level, a State level, so that there might be, and I bring up the word, it may be dangerous to some, competition, there might be some competition between one organization and another, but it is whoever delivers the product the best, in the most cost efficient way. And there are going to have to be some reporting requirements required by this bill that provides greater scrutiny for the average American to make decisions about where he wants to send that money to, whether it is the Salvation Army, whether it is to a shelter of some kind or a home for unwed girls, or what have you, but that is the basic movement, I would say.

Jim, you may want to answer.

Mr. KOLBE. Let me just add that you would create a new category in the 501(c)(3) organizations, so that the symphony which is a nonprofit, doesn't qualify. But this new category, which includes those that specifically provide services in the poverty area, and there will be a designation, they would have to show that they are delivering services in that area. Those would be the ones who qualify. You make your contribution, they give you a receipt, which includes their tax I.D. number, you include that on your tax return, and you take the credit directly off of your taxes from that.

Ms. DUNN. OK.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Congressman Hall, I would hope that you would send some additional information on microenterprises. It might do well if we could find some way to "Dear Colleague" the Members,

if you haven't already. This is exciting to hear from you, and I think our Chairman is equally interested in that proposal.

Mr. HALL. As a matter of fact, a lot of the language that is in the bill is very similar to the language that we had in our bills that we have introduced the past couple of years. About the only difference is that you give it as an option to the States, and I don't necessarily give it as an option, that they can, that they will provide the fact, that there will be a waiver.

The problem with it, is now when I started my program on microenterprise in Dayton to start 16 new businesses, I have to get a waiver from the Federal Government. It has to go through the State, and so forth. It is time consuming, it is bureaucratic. It took me 1½ years to get it, and the term of the grant was only 3 years. And there should be a waiver, not only automatically, but we should increase the asset limitation across the board. We can allow the States to do it individually, but it is very cumbersome.

Chairman SHAW. Just very, very briefly; I believe under the bill that we will be marking up, that that would be permitted by the States. If it is not, I think we will look into seeing that it is, but I believe that it is available without a waiver.

Mr. Ensign.

Mr. ENSIGN. Just real quickly, obviously, we have a vote, but I was fascinated actually by both proposals. Regarding the microsystems, as a small business person, I found that regulation was very punitive to business and small business especially. Would there be some sort of mechanism for these businesses, maybe to be exempt from some of the regulations? Should that be written into the bill to make it easier or is it already there?

Mr. HALL. We take a lot of regulations away from it, and we even allow for the option of a local group, a local church, a local nonprofit group to take it over and run it. The only obstacle we have had is the waiver, you have to get a waiver.

Mr. ENSIGN. I don't mean necessarily regulation on running the micro, I mean regulation that is normally on business, some of the reporting requirements with OSHA, with EPA, some of the things that are—for businesses that are solvent, that is fine, they can get away with it. But some of the other businesses maybe that are trying to get people off welfare, maybe we should take a look at, at least, other than the bare minimum of a regulation.

Mr. HALL. I would be glad to work with you on it. I would like to send you some stuff that we have done.

Mr. ENSIGN. I would really like to receive it.

Mr. HALL. It is very interesting. It has been my experience, although I haven't started one myself, but they have very little regulation as compared to a small business man.

Mr. ENSIGN. OK.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you, and thank you to this panel and thank you to the Members of this Subcommittee.

We have heard from some 45 witnesses today, and I think that is a good day's work. And I appreciate the attendance that we have received so that these hearings could continue to go on while other business was going on about the Capitol.

Thank you so much.

This Subcommittee meeting is adjourned.

[Whereupon, at 9:05 p.m., the hearing was adjourned, to reconvene at 9 a.m., Thursday, February 2, 1995.]





# CONTRACT WITH AMERICA—WELFARE REFORM

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON HUMAN RESOURCES  
OF THE  
COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTH CONGRESS  
FIRST SESSION

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JANUARY 13, 20, 23, 27, 30; AND FEBRUARY 2, 1995

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**PART 2 OF 2**  
**FEBRUARY 2, 1995**

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## WELFARE REFORM

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THURSDAY, FEBRUARY 2, 1995

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON HUMAN RESOURCES,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 9:04 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

Chairman SHAW. If the Members and guests could take their seats, we will proceed. The first panel of Members are asked to take their seats at the desk.

The hearing has been moved over from Rayburn, so I think a lot of our guests will be slow coming in this morning, because they may have gone over there first.

We have an extraordinarily long list of people to testify this morning, so the Chair is going to be very strict with regard to the enforcement of the 5-minute rule. I ask everyone who is to testify, to please be as concise and brief as possible, that will move the business of the Committee along very quickly.

The opening statement by the majority will be given by Jennifer Dunn.

Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

It is with great pleasure that I welcome our guests on the second day of testimony from public witnesses. Today, we must be setting some sort of unofficial record for the number of groups and individuals testifying on a single day. I cannot recall a longer witness list than the one before us today.

In Washington State, I have talked to hundreds of people in townhall meetings and gatherings regarding welfare. And whether they be conservative, liberal, or somewhere in between, I have found that, without exception, everyone has a strong opinion about welfare.

As a new Member of the Ways and Means Committee and the Subcommittee on Human Resources, I am pleased to see that we have such a diverse group of witnesses. For whatever the means suggested, I know that we are united in our ultimate goals which are to encourage work, to discourage illegitimacy, and to help the poor lift themselves out of poverty. And we must consider any transformation of the welfare system with great thoughtfulness and fairness.

This is going to be a long day. But with experts such as my colleague from Washington State, Jim McDermott, with representa-

tives from groups ranging from the Concerned Women for America, to Puerto Rico, to La Raza, this is going to be a very worthwhile and informative day. All told, we expect over 70 witnesses today, so I urge everyone to find a comfortable chair.

On Monday, February 6, in room B-318 Rayburn, at 12 noon, we will complete this series of hearings on welfare reform with a hearing on child support enforcement. This is a great opportunity for bipartisan cooperation on this issue. I think we all look forward to working together to draft the toughest, most effective child support enforcement provisions we can.

I might add, too, concerning the upcoming schedules, some of you might be interested in the fact that tomorrow we will hold a joint hearing with the Economic and Educational Opportunities Committee on child care and child welfare. That hearing will begin at 9 o'clock here in this same room, 1100 Longworth.

I believe that there exists unanimity among many constituencies in our efforts to solve these great problems, noncustodial parents, both fathers and mothers must be held accountable.

Now I would like to welcome the first of today's 14 panels.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you very much, Mr. Chairman.

I, too, agree with you, Mr. Chairman, there is a long witness list before this Subcommittee today and I look forward to hearing from some 65 or 70 different witnesses. But what I would like to hear today from my colleagues who will lead the panel off, along with all of the different groups that will testify, is what impact this Personal Responsibility Act will have on the children of this country. What impact will this Personal Responsibility Act have on the overall poverty community in America, and what it will do to the welfare population in this country.

I have said early on, Mr. Shaw, that certainly on this side of the aisle, as Democrats, we want to work with you and the Republican side of the aisle to try to craft a bill that will respond to many of the needs that are out there in the welfare population.

I have great concerns about some of the things that are going to be in the Personal Responsibility Act, and, hopefully, when witnesses testify today and others who will continue to testify tomorrow, and as we begin a markup session hopefully within the next 10 days or 2 weeks, that we, as Democrats and Republicans alike, will make sure that we support things that will be in the best interests of the children of this country.

With that, Mr. Chairman, I close out.

Chairman SHAW. Thank you, Mr. Ford.

Our first witness this morning is a Member of the Ways and Means Committee, Jim McDermott of Washington.

Welcome.

#### **STATEMENT OF HON. JIM McDERMOTT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON**

Mr. McDERMOTT. Thank you, Mr. Chairman.

I come today to share my ideas with the Subcommittee responsible for welfare and my own experiences in the Washington State Legislature, how that relates to what we are currently debating,

and what issues I think are of primary importance as we look at the protection necessary for 15 million kids. I believe that real welfare reform reduces the need for welfare, instead of punishing people for being poor. Why do I say that? Well, in the seventies, if you took a minimum wage job, you lived at the poverty level. If you had a welfare grant in the State of Washington, you only got 81 percent of the poverty level. So if you worked, you were better off.

In 1994, in the State of Washington, if you take a minimum wage job—and you have to remember, Washington State is much better than most States in this country. By initiative, we raised the minimum wage to \$4.90 an hour, and 81 percent of the people in the State of Washington voted for that minimum wage.

If you take a minimum wage job, you will be at 73 percent of the poverty level. If you go on welfare, you only get 55 percent of the poverty level.

Now, the question you have to ask yourself is why do people go on welfare. It certainly is not for the money, because they are not getting more money. They are getting less money. There is a myth that I think needs to be talked about briefly here, and that is that somehow poor people are either stupid or lazy or venal or living in the wrong place or not the right kind of people or something.

Poor people are poor because they do not have money. That is what makes you poor. And poor people can figure out that living on welfare, where you at least get health care benefits, is better than taking a minimum wage job, where you have no health care benefits and no child care. You are in worse shape if you work for minimum wage in the State of Washington.

Prior to coming to Congress and the Ways and Means Committee, I was the Chairman of the Senate Ways and Means Committee in the State of Washington. From the time I entered the State Senate in 1975 to 1987 when I left, Washington State was engaged in a long and difficult period of welfare debate and attempts at reform.

I remember in 1981 when we cut out the two-parent AFDC Program and put 14,000 kids out with nothing to cover them. The next year, the Reagan Budget Reconciliation Act drastically cut the amount of money that welfare recipients could earn and employment costs that they could deduct.

Several years later, after we finally reinstated the two-parent AFDC in 1983, we embarked on what we thought was real welfare reform in the State of Washington. We obtained a Federal waiver in 1987, and the Washington State Legislature created FIP, the Family Independence Program. It was to be a 5-year welfare reform demonstration program.

The FIP Program added financial incentives for education, training and work. It substituted cash for food stamps, it expanded the availability of child care, it provided child care and Medicaid subsidies for up to 1 year after you got off welfare, and it focused services on pregnant teenagers.

There is a more important reason why I am skipping down Memory Lane with you today. At the end of the first year in the State of Washington, the FIP Program had substantial cost overruns and we had to significantly scale back the program, because we nickled and dimed our welfare program from day one. We underestimated

caseloads and with capped expenditures at the State level, we had a disaster on our hands.

When you cap the amount of money that comes from the Congress, you put people in the position of losing their basic subsistence. That is what I am really worried about, when you already have very limited welfare programs in many States, when you cap the program, they are out.

In 1987, when we capped those programs, we had the basic entitlement, and if you take away the entitlement in a State like the State of Washington, which has a three-fifths majority required to raise taxes, if they get into a problem, they are not going to be able to raise the money and they are going to cut the assistance grants for people and people are going to be without help.

I think the Speaker says we will reevaluate it in 5 years. But I do not think children in this country have 5 years to wait, if we make it so that there is no way at the State level and the Federal level that we are going to take care of their basic needs.

Thank you.

[The prepared statement follows:]



*News from Congressman*

# **Jim McDermott**

**7TH DISTRICT • WASHINGTON**

1707 LONGWORTH BUILDING • WASHINGTON, D.C. 20515 • 202/225-3106

Testimony of  
The Honorable Jim McDermott (D-WA)  
Before the Ways and Means  
Human Resources Subcommittee  
February 2, 1995

Thank you, Mr. Chairman, for the opportunity to address the Subcommittee on this very important issue. I realize that your first day of public testimony, on Monday, was a very long day for you, so I will try to keep my comments short.

I wanted to come here today to share with the subcommittee responsible for welfare reform proposals, my own experiences in the Washington state legislature, how that relates to my concerns with our current debate on welfare reform, and what issues I think should be of primary importance to guarantee protection to the more than 15 million poor children in our nation. I believe that REAL welfare reform reduces the need for welfare instead of punishing people for being poor.

[The welfare issue is one of extreme importance, 22.7% of the children under 18 in the U.S. are living in poverty. This is compounded by a recent study released Monday which found that among the 6 million children under 6 years old who live in poverty, 58 percent of them had parents who worked at least part time.]

Prior to joining Congress and the Ways and Means committee, I was the chairman of the Washington State Senate Ways and Means Committee. From the time I entered the state senate in 1975 till I left in 1987 Washington State was engaged in a long and difficult period of welfare debate and attempts at reform.

I remember when the state eliminated the two-parent Aid to Families with Dependent Children (AFDC) program in 1980, followed the next year by Reagan's budget reconciliation package which drastically cut the amount of money that welfare recipients could earn and employment costs that they could deduct. Several years later, after finally reinstating two parent AFDC in 1983, we embarked upon what we thought was real welfare reform in Washington state. We obtained a federal waiver and in 1987, the Washington State Legislature created the Family Independence Program (FIP), a five-year welfare reform demonstration program.

The FIP program added financial incentives for education, training, and work; substituted cash for food stamps; expanded availability of child care, provided child care and Medicare subsidies for up to a year after getting off of welfare; and focused services more on pregnant and parenting teens.

There is a very important reason why I am skipping down memory lane with the committee here today. At the end of the first year of Washington states FIP program we had substantial cost overruns and had to significantly scale back the program. Because we nickel and dimed our welfare reform program from day one: when underestimated caseload growth, and capped expenditures are factored in, we had a disaster on our hands after just one year. The first two causes, limited state funds, and high caseload growth, should be familiar to anyone who has ever worked on welfare at the state level. The third reason, capped expenditures, is what makes this example so relevant to our current debate. When Washington state received the waiver to implement FIP we agreed to an expenditure cap equal to projected AFDC expenditures. This is similar to what would happen under the proposed capped income assistance block grant.

Although the program had to be significantly scaled back in order to stay within the budget, Washington state was able to avoid disaster because AFDC was still an entitlement and was guaranteed by the federal government. Because AFDC was an entitlement there was never any danger of the most basic income maintenance being taken away from the poorest children of Washington State. We never had to confront the possibility of throwing children and parents out into the street.

It is important to note that we did not start with a bare minimum program that, in the case of a cost overrun, would leave nothing to cut but AFDC. In contrast, under the Republican bare-minimum block grant proposal there is a real possibility that if a state has a cost overrun, and is unwilling to raise taxes, then income maintenance could be cut.

I believe that REAL welfare reform should:

- Focus on welfare as a transition to self-sufficiency,
- Assist those not yet ready for employment and training;
- Require education and training to help recipients prepare for work, and fully fund that effort;
- Maintain earned income tax Credits for low-income working families,
- Include legal tax-paying immigrants as welfare recipients
- Get real about strong child support enforcement;
- Expand programs to encourage family stability and limit teen pregnancy,
- Guarantee to provide for the long-term care needs of children and of persons who are physically or mentally disabled; and
- Increase state flexibility with federal oversight

I support state flexibility but I disagree with the **cut-freeze-and-cap** block grant mentality that is taking over the debate on welfare reform.

On Tuesday, Speaker Gingrich told the National Governors' Association that block grants should be reviewed after five years. I am scared that these children that we are supposed to be protecting do not have 5 years to wait. They need us now.

Thank you.

Chairman SHAW. Thank you, Mr. McDermott.

Now we welcome the former Chairman, now the Ranking Democrat Member on the Public Works and Transportation Committee, with whom I once had the privilege of serving, Norman Mineta.

**STATEMENT OF HON. NORMAN Y. MINETA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. MINETA. Thank you very much, Mr. Chairman and Members of the Subcommittee.

It is good to see alumni of our Public Works and Transportation Committee, you and Ms. Dunn. I appreciate this opportunity to appear before you. I ask unanimous consent that my full statement be made a part of the record.

Mr. Chairman, this Subcommittee has been charged with the primary responsibility for reforming the welfare system in America, and I wish you well in that effort.

But as the Chair of the Congressional Asian Pacific American Caucus, I must tell you that I am gravely concerned by one of the cornerstones of the plans being circulated so far.

So far, it appears that H.R. 3500 from the previous Congress will serve as the basis of welfare reform in this Congress, and I must register my very strong opposition to its proposal to end educational, social services and health benefits to immigrants who are lawfully admitted to the United States, who have not yet become citizens, and to U.S. nationals.

On the subject of U.S. nationals, I suspect this may have been a simple drafting error. Many people do not know that the residents of our territory of America Samoa are U.S. nationals, not U.S. citizens. The full details are in my submitted statement, and I hope that, at a minimum, we can work together to resolve that issue.

On the subject of legal immigrants, H.R. 3500 is clearly intended to deny benefits under some 60 Federal programs to lawfully admitted immigrants who pay taxes and have done nothing wrong.

Unfortunately, from the public discussion of this provision, an uninformed observer might believe that we are only talking about welfare programs in this debate. Nothing could be further from the truth. H.R. 3500 would also deny to legally admitted individuals such benefits as guaranteed student loans, Pell grants, college work study and childhood immunization.

Mr. Chairman, immigrants who have been lawfully admitted to this country have done nothing wrong. They pay the same Federal, State and local taxes that you and I pay, and they have the right to expect the same benefits eligibility in return.

How do we tell a Chinese-American couple who have struggled to start a small business and have dutifully paid their taxes that their son or daughter will now be ineligible for student financial aid to attend college? How do we tell an American citizen that his or her taxes will be used to pay for other people's parents when they become elderly, blind or disabled, but that his or her immigrant mother will not be eligible for SSI? I do not think we can.

Mr. Chairman, there are almost 10 million Asian Pacific Americans in this country, and 61 percent of us have immigrated since 1970. There will be few families in our community left untouched

by this proposal. Asian Pacific American students have had tremendous success in colleges and universities around the country. But by removing their sources of student financial aid, H.R. 3500 will pull the rug out from under that success. As we eliminate vaccinations and other preventive health programs for legal immigrants, the burden will fall on our hospital emergency rooms to deal with the effects, and the costs will skyrocket.

It would be curious, now that the Federal Government is willing to pick up the costs of incarcerating undocumented aliens convicted of crimes, that we would simultaneously refuse to pay for a measles vaccine for a legal immigrant child.

Mr. Chairman, that is not the message that I want to send in a welfare reform package, and I hope that you will reconsider your position on this issue.

Thank you very much.

[The prepared statement follows:]



TESTIMONY OF NORMAN Y. MINETA, M.C.  
Before the Human Resources Subcommittee  
House Committee on Ways and Means  
February 2, 1995

Thank you, Mr. Chairman and Members of the Subcommittee. I appreciate the opportunity to appear before you today.

Mr. Chairman, this Subcommittee has been charged with the primary responsibility for reforming the welfare system in America and I wish you well in that effort.

But, as the Chair of the Congressional Asian Pacific American Caucus, I must tell you that I am gravely concerned by one of the cornerstones of the plans being circulated so far.

As you know, H.R. 3500 was introduced by the Republican Conference in the 103rd Congress and has so far served as the basis for welfare reform in the 104th Congress. One of its central provisions would deny educational, social services, and health benefits to immigrants lawfully admitted to the United States who have not yet become citizens and to United States nationals.

I must register my strong opposition to that proposal.

I suspect, and hope, that the elimination of eligibility for U.S. nationals in H.R. 3500 was simply the result of a drafting error. Many people are not aware of this category of individuals and, as we saw in the crime bill debate last year, they are sometimes inadvertently excluded.

There is only one category of people who remain U.S. nationals -- the territorial citizens of American Samoa. As U.S. nationals, American Samoans travel freely throughout the country. When they are resident in the U.S. proper, they are subject to the same taxes paid by all other Americans and are eligible to receive benefits under the same programs.

This eligibility is a long-standing principle, dating back to the beginning of American Samoa's territorial status. I hope that the omission of American Samoans from the list of those eligible for benefits under H.R. 3500 was an oversight, and was not intended to signal a renunciation of our promises to the American Samoan people.

On the subject of legal immigrants, however, I understand that the intent of the drafters of H.R. 3500 in the last Congress was in fact to terminate the eligibility of lawfully admitted immigrants under some 60 federal programs.

The affected programs range from legitimate subjects of welfare reform such as Aid to Families with Dependent Children (AFDC) and food stamps, to programs that have nothing to do with welfare such as Guaranteed Student Loans and College Work Study.

Mr. Chairman, immigrants who have been lawfully admitted to this country have done nothing wrong. They pay the same federal, state and local taxes you and I pay. And they have the right to expect the same benefits eligibility in return.

From the debate I have seen on this issue so far in the press, I do not believe that most Americans know exactly what this bill would do. Occasionally press accounts acknowledge that legal immigrants would be cut off from benefits under this bill. But the fact that this provision is included in a welfare reform bill leads to the mistaken assumption that only welfare benefits are affected.

When did Guaranteed Student Loans become welfare? When did College Work Study and Pell Grants become welfare? When did immunizations for school children, or the ability to go to a Community Health Center become welfare?

This proposal is an issue of great concern to the almost 10 million Asian Pacific Americans in this country. 61% of us have immigrated to this country since 1970. Although most of those immigrants have now become citizens, there are few if any Asian Pacific American families who would be exempt from the effects of this bill.

The eligibility of legal immigrants for these programs is an issue of fundamental tax fairness, and in my opinion that should be enough to settle this question.

How do we tell a Chinese American couple who have struggled to start a small business, and have dutifully paid their taxes, that their daughter will now be ineligible for student financial aid to attend college?

How do we tell an Indian American couple that their children will not receive the same childhood immunizations other children receive at school?

How do we tell an American citizen that his taxes will be used to pay for other people's parents when they become blind or disabled, but that his immigrant mother will not be eligible for SSI? I don't think we can.

But even beyond the issue of fairness for legal immigrants themselves, the proposal as it stands would be grossly counterproductive for our society as a whole. Its effects would in many cases reach far beyond the permanent residents directly affected.

As you know, Mr. Chairman, the Asian Pacific American community around this country has been making great strides. One of the most fundamental reasons for that success is the emphasis by our families on the importance of education.

H.R. 3500 would pull the rug out from under the educational successes we've seen in our community. Families do not conveniently immigrate to this country so that their children become citizens just before they head off to college.

A 14 year old refugee coming to this country with his parents would be eligible for these programs under H.R. 3500 for six years, or until he converted his status to permanent residency.

And that conversion must happen for him to become a citizen. The law requires individuals to have been permanent residents for at least five years to apply for citizenship.

If he stays in refugee status, he could go on to college at age 18 -- but his sources of federal student financial aid would evaporate just before his sophomore year when he turns 20.

If he wants to convert his status to permanent residency, he must first wait one year to apply, then wait five years to apply for citizenship and, in many cases, must wait an additional two years for INS to process the paperwork.

I simply cannot understand the value in making an Asian Pacific American teenager delay enrollment in college, or drop out temporarily, simply because of an arbitrary schedule.

Why should we make students wait before we let them borrow money under the Guaranteed Student Loan Program -- money which they will have to pay back anyway? What is the value of cutting off their College Work Study funding or Pell Grants?

The only result will be a delay in starting their careers, or possibly their failure to finish college. They will be American citizens one day. The only question is whether or not they will be an American citizens with college degrees.

Similarly, I cannot understand why we would deny immunization to any child attending school in this country. Beyond the question of why we would deny any child a measles vaccination, is the question of whether we really want to risk public health to that degree.

If one kid in a class gets the measles, other kids are going to get it too. And the measles virus doesn't care how far in the citizenship application process somebody happens to be.

Finally, Mr. Chairman, we have spent a great deal of time over the past several years debating the issue of unfunded federal mandates here in the House.

On Tuesday of this week, I met with representatives of the California Association of Hospitals and Health Systems. They had come to ask me to work to get some federal reimbursement for the uncompensated care they provide to undocumented immigrants in their emergency rooms. The cost is roughly \$600 million annually now.

I had to tell them that the prospects for that funding did not look good -- and that I expected the situation to get much worse.

If H.R. 3500 passes in its present form, legal immigrants would be excluded from almost every federal preventive public health program we have in this country.

Those programs will be prohibited from immunizing their children, Community and Migrant Health Centers will be prohibited from providing them with basic care, Maternal and Child Health programs will be blocked from providing prenatal care, and Centers for Disease Control-funded lead poisoning screening programs would be prohibited from screening legal immigrant children.

That means that hospital emergency rooms are going to be the only alternative available. Despite the fact that emergency care under Medicaid would still be available to legal immigrants under this bill, Medicaid does not come close to covering the full cost of treatment.

And nothing we do will make up for the pain of a child lost to a preventable disease.

Mr. Chairman, the issue of the federal government's responsibility for the social services costs associated with undocumented immigrants was one of the stated motivations for the recent debate over Proposition 187 in California.

As a result of that debate, the previous Congress agreed for the first time to reimburse states for the cost of incarcerating felons who are present in this country in violation of the law.

If the cutoff of benefits contemplated under H.R. 3500 is adopted by this Congress, we will be in the curious position of being willing to pay for housing convicted criminals who are here illegally -- but being unwilling to vaccinate a child or help pay for a college education for kids who have done nothing wrong, and who's families are American taxpayers.

That is not the message that I want to send in a welfare reform package, and I hope you will reconsider your position on this issue.

Thank you very much.

Chairman SHAW. Thank you, Mr. Mineta.

Next is Hon. Gary Franks of Connecticut, who has been very active in the drafting of welfare reform.

Mr. Franks.

**STATEMENT OF HON. GARY A. FRANKS, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF CONNECTICUT**

Mr. FRANKS. Thank you, Mr. Chairman.

Mr. Chairman and Members of the Subcommittee, good morning.

Mr. Chairman, you know of my deep interest in this topic, having chaired a task force on welfare reform for 4 years and also having worked closely with you on H.R. 3500 and having participated with you in the Oxford-style debate last session.

Mr. Chairman, I would like to just touch upon one topic, though I have a number of concerns that ideally hopefully will be worked out, as well, concerning this bill. I strongly believe, Mr. Chairman, that we should take cash out of our welfare system and replace welfare checks with a debit card. This would give us, as taxpayers, an accounting of all dollars spent by the welfare recipient.

However, Mr. Chairman, I do recognize that there may be a need to allow a small amount of cash for incidental items, but I would hope that the vast majority of welfare funds will be disbursed via a debit card. The card would have a picture of the recipient on it and it would resemble a MasterCard or VISA card. Major expenses such as rent and utility bills would be paid directly to the landlord or utility company via an electronic benefits transfer system.

Mr. Chairman and Members of the Subcommittee, I strongly believe that the billions of taxpayer dollars intended for families with dependent children are ending up in the hands of drug dealers via the purchase of drugs by some welfare recipients. Thus, I believe it is playing a major negative role in the gang-related crime activities in our cities. After all, if there is high unemployment, high drug trafficking and high welfare use in our inner cities, where is the money coming from? It would cause one to believe that taxpayer dollars, welfare dollars are being used to buy illegal drugs.

It has been reported in a Columbia University study that upward of 25 percent of those individuals on welfare were drug abusers. In Chicago a couple of years ago, we all read how 20 people were living in a 2 bedroom apartment with 4 adults receiving monthly approximately \$4,500 in welfare cash. It was alleged that all four adults were drug abusers. Part of their \$4,500 was going to support their alleged drug habits. A debit card system would help eliminate this problem, since drug dealers do not take plastic.

I have talked to police officials in my State and they have said that they would beef up their police patrols on the 3d and 16th of the month, State welfare check days. They can document how drug activities have increased on those days.

Mr. Chairman, in my State, I have received the support of the banking industry; I have received the support of hospitals; I have received the support of the real estate industry; I have received the support of the utility industry, police officials, and local and State welfare officials, as well, for the use of the debit card to disburse AFDC funds.

They all feel that the debit card can play a role in improving the housing stock in our cities, since payments will now be made directly to landlords. They all feel that the debit card would improve and streamline banking services for welfare clients, since the lines are very long on the 3d and 16th day of the month at most banks across the country. They feel that it obviously will hurt the drug dealers in our country. They also feel, Mr. Chairman, that the use of the debit card will allow the dollars to go where they should, and that the dollars will go to the children who are dependent on these funds.

Also, in my State of Connecticut, a pilot program with a debit card has been approved. The State of Connecticut will institute this program within the next 2 years. The current Governor, John Roland, with whom I recently discussed this matter, is also a strong proponent of this plan, as was his predecessor, Lowell Weicker. And with my hometown of Waterbury being designated as a test city, this pilot program, I believe, will show that there can be a significant amount of dollars saved. I believe also that the program will raise havoc with those individuals who are using the welfare money improperly.

I would hope that the debit card and the electronic benefits transfer system would be a part of any welfare reform bill adopted by your Subcommittee. It is, in my estimation, one of the best ways of addressing fraud.

Thank you for allowing me to address the Committee today.

Chairman SHAW. Thank you, Mr. Franks.

Now we have a new Member to testify. Mr. Greg Ganske is a new Member from the State of Iowa, and I believe a physician. You may proceed as you see fit.

All of the written statements will be made a part of the record.

#### **STATEMENT OF HON. GREG GANSKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA**

Mr. GANSKE. Thank you, Mr. Chairman.

Rather than repeat facts and statistics about the welfare system and its failure, I would rather speak to you today from personal experience about some things that motivated me to leave my medical practice and come to Washington to address this problem. Although I think the national debt may be the most urgent problem, I think welfare may be the most important problem of our country in terms of how we address our Nation's poor.

You might wonder how someone living in Iowa among those gently rolling cornfields could be qualified to speak about this problem. After all, Des Moines, Iowa, does not really have war zones. So maybe that is why what I have to say will interest you. If this problem occurs in Iowa, it can occur anywhere.

The fact is that the problem of illegitimacy does not know any geographic boundaries. There are neighborhoods close to where I practiced surgery and where my wife practices family medicine where the illegitimacy rate is over 60 percent. A significant part of my medical practice involved taking care of babies born with birth defects. There is a higher incidence of these deformities in excessively young mothers.

My heart would go out to those 14- and 15-year-old mothers who would bring their babies in with a cleft lip or a hand deformity. It is hard enough for mature couples to take care of a child with special needs. It is even harder for an unwed mother to handle those special care needs.

Frequently, a father would not be present. All too often, parental support would be lacking, and this teenager would be living on her own through welfare assistance. Sometimes the baby's grandmother or great-grandmother would accompany the mother. Unfortunately, many times they were all on welfare.

I followed those kids for a long time. It is one thing for a single mother to take care of a cute toddler. It is another thing to handle a teenage boy without the guidance of a father. And too frequently, these young men then seek their peer support from a gang, start doing drugs, and get involved in violence. I have taken care of these young men, teenagers most of them, in emergency rooms. I have also taken care of the victims of their violence. I have had to tell mothers that their teenage sons are no longer alive.

Illegitimacy is the engine that drives juvenile crime. I have seen its ravages firsthand. To take a chapter from our Speaker, my wife has helped 13-year-old girls deliver their babies. I have taken care of 15-year-olds with gunshot wounds to the head. I have taken care of 17-year-olds with needle track infections up and down their arms and who probably have AIDS because of it. And my wife and I have personally seen violence in our daughter's public high school.

The welfare system was designed to be compassionate to these young mothers. We are all moved by their testimony. We need the right policy so that in being compassionate to one group, we are not being cruel to another; so that being compassionate to these young mothers, we are not setting up incentives that make us cruel to their children.

That is why I very strongly agree with the basic provisions of the Personal Responsibility Act. We must reconstruct the system. Underage teenage mothers should not be able to set up housekeeping on AFDC cash assistance or housing allowances. Give the money back to the States as block grants and let it be used to provide assistance. Medicaid and food stamps could still be available, but mothers should stay with their families, and we should not pay mothers for having more children out of wedlock. It will be very important, in my opinion, to maintain adequate funding for family planning and birth control.

In summary, just a few weeks ago, a toddler was found just a few blocks from here walking down the street with only a diaper on, taken to the police station, given some clothing, and some french fries. A few hours later, the mother came in. Does this only happen in Washington?

Last week, in northeast Iowa, in a small town close to where I grew up, almost exactly the same thing happened. Except that in Iowa, that toddler would have frozen to death, if it had not been found. We have got to get a handle on this problem.

Thank you.

[The prepared statement follows:]

STATEMENT BY THE HONORABLE GREG GANSKE  
BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS  
SUBCOMMITTEE ON HUMAN RESOURCES  
FEBRUARY 2, 1995

Mr. Chairman, I appreciate the opportunity to speak before the Subcommittee.

You will have many experts appear before you to speak about welfare reform. Some ten years ago, Charles Murray started this debate with his seminal work, *Losing Ground: American Social Policy*, in which he documents the failure of the welfare state. More recently, Marvin Olasky has provided fresh insight into the causes of this American tragedy with his book, *The Tragedy of American Compassion*. Barbara Dafoe Whitehead has chronicled how the breakdown of the American family has affected children in her article in *The Atlantic Monthly*, "Dan Quayle Was Right."

Rather than repeat facts and statistics about the welfare system and its failure, I would rather speak to you from my heart about some personal experiences that I have had that have motivated me to leave my medical practice and come to Washington and try to address this problem. While there are many important problems facing our country, with the national debt being most urgent, in the long run how we deal with the poor may be the most important issue we will deal with for the future of our civilization.

Prior to November 8, 1994, I was a reconstructive surgeon in Des Moines, Iowa. My wife is a family physician. I grew up in a small town in Iowa, but did surgical training in Denver, Colorado, Portland, Oregon and Boston. In the course of our practice of medicine, both my wife and I have had ample opportunity to see how the system is not working to help the very people that it was designed to help.

You might wonder how someone living in Iowa, amid the gently rolling cornfields of the Heartland, would be qualified to speak to this problem? After all, Des Moines doesn't have the war zones that some cities do. Perhaps that is why what I have to say may interest you. If the tragedy of the failure of the welfare system can even be seen in Iowa, then it can be seen anywhere.

The problem of illegitimacy knows no geographic restriction in this country. There are neighborhoods close to where I practiced surgery and where my wife currently practices family medicine where the illegitimacy rate is over 60%. A significant part of my medical practice involved taking care of babies born with birth defects. There is a higher incidence of these deformities in excessively young mothers.

My heart would go out to the 14-year-old or 15-year-old mothers who would bring their babies with a cleft lip or hand anomaly to my office. It is hard enough for mature couples with a good relationship, much less an unwed teenager, to handle the needs of a special care infant. There would rarely be a father present and all too often parental support would be lacking as this teenager would be living on her own through welfare assistance.

Sometimes, the baby's grandmother and, even a few times, great grandmother would accompany the young mother. Unfortunately, sometimes they would all be on welfare!

I follow these children for long periods of time. It is one thing for a single mother to care for a cute toddler. It is quite another to handle a young teenage boy without the guidance of a father. All too frequently these young men seek peer support from gangs, start doing drugs, and get involved in violence.

I have taken care of these young men, teenagers most of them, in the emergency rooms. I have also taken care of the victims of their violence. I have had to tell mothers that their sons are no longer alive, the victim of this welfare culture. Illegitimacy is the engine that drives this juvenile crime epidemic -- I have seen its ravages first hand.



Speaker Newt Gingrich is right when he says that the welfare state is a failure when we have, "... 12-year-olds having babies, 15-year-olds killing each other, 17-year-olds dying of AIDS and ... 18-year-olds ending up with diplomas they can barely read."

My wife has helped 13-year-olds deliver their babies, I have operated on 15-year-olds with gunshot wounds to the head, I have treated 17-year-olds with needle tract infections up and down their arms and who probably have AIDS because of it, and my wife and I have seen violence in our daughter's public high school.

The welfare system was designed with compassion for the young, unwed mother in mind. We are all moved by the testimony of those we want to help, but we need more than just compassion. We need the right policies so that in being compassionate to one group, we aren't being cruel to another group; so that in being compassionate to young mothers we aren't setting up incentives that make us cruel to children.

That is why I believe very strongly in the basic provisions of the Personal Responsibility Act. We must reconstruct welfare. Underage unwed mothers should not be able to set up housekeeping on AFDC cash payments and public housing. Give the AFDC money to states as block grants to be used in providing services for mothers and babies. Medicaid and food stamps will still be available to help these mothers, but they should stay with their families unless there is child abuse.

We should not pay mothers more for having more children out of wedlock.

It will be important to maintain adequate funding for family planning and birth control. We must also require mothers receiving AFDC benefits to establish paternity and make delinquent fathers personally responsible. Several states, including my own, have made significant strides in making sure that fathers at least fulfill their economic responsibilities.

Most importantly, we must aggressively attack our country's illegitimacy problem. It is clearly at the heart of our welfare woes. This problem is most pervasive in women between 18 and 21 years of age. One option is to offer states an incentive to get the illegitimacy rate down. Under the Contract with America, AFDC benefits are not available to unwed minor mothers. However, the states would receive funds in the form of block grants to be used to provide valuable services to these young mothers. I think we should take this proposal a step further. We should propose to increase a state's block grant if they succeed in lowering the illegitimacy rate. On the other hand, if a state fails to decrease the rate of illegitimacy, the total amount of monies received in the block grant should be decreased. We must have warm hearts, but hard heads, and we must show that we are serious about welfare reform.

On October 1, 1993, changes were made in Iowa's welfare programs to encourage and reward work. To make work pay and encourage self-sufficiency, Iowa's Family Investment Agreement Plan sets expectations and accountability goals for each family, offering education, training and employment. Those who choose not to participate receive three months of full cash benefits, followed by three months of partial cash benefits and are then ineligible for benefits.

In the month before welfare reform in Iowa began, only 18% of families on welfare had earned income. As of November 1994, 33.5% of the caseload had earned income. Many other states such as Michigan and Wisconsin are devising encouraging work requirements. Let's encourage this innovation through block grants with definite guidelines, but not micromanagement.

A few weeks ago here in Washington a two-year-old boy was found toddling down a street just a few blocks from where we sit right now with only a diaper on. He was taken to the police station, given some warm clothing and french fries and several hours later his mother came in to pick him up! It wasn't the first time this had happened. Just last week, almost exactly the same incident occurred in a small town in northeast Iowa close to where I grew up. Had a neighbor not found the child, he would have frozen to death.

For the sake of our nation's children, let's make this system work better.

Chairman SHAW. Thank you, Mr. Ganske.

Our final witness on this panel is Harvey Hilderbran, who is chairman of the Committee on Human Services in the Texas House of Representatives. I might say that he is a Republican who is a chairman in a Democrat House, so this shows the amount of bipartisan work that is going on in Texas.

Please proceed as you see fit.

**STATEMENT OF HON. HARVEY HILDERBRAN, CHAIRMAN,  
COMMITTEE ON HUMAN SERVICES, TEXAS HOUSE OF  
REPRESENTATIVES**

Mr. HILDERBRAN. Good morning, Mr. Chairman and distinguished Members of the Committee. Thank you for the opportunity to speak today on the important issue of welfare reform.

As a State representative in Texas and as Chairman of the House Human Services Committee in the Texas Legislature, I have studied various welfare reform initiatives across the country. We have looked at the current welfare system, how the Federal Government dictates to the States how to provide public assistance to our needy.

It is not difficult to understand why the welfare system has failed the people it is intended to help and why it has failed the taxpayers of this country. The current system discourages work and marriage, it promotes a cycle of dependency, and it contributes to illegitimacy.

We welcome the proposals outlined in the Personal Responsibility Act, especially the flexibility given to the States, such as block grants with little or no strings attached to them, and to allow States to develop innovative welfare reform plans that will address the needs of our citizens.

There are some items I would like to comment about today that are included in your plan that are of special concern to us in Texas. When you are discussing block grants and developing block grants for the States, please understand the diversity of the population that is currently in the welfare system, not only across the country, but in each State.

In Texas, we have four distinct groups in the welfare population. We have the top 20 percent being basically job-ready. They have just left the job, they have job experience, job training, they have education and they are only temporarily out of work.

The second 20 percent needs assistance in education and some job training and work experience. The third group needs a lot of help, a lot of education and job training and work experience, and they need special efforts to bring them into the work force. And the fourth group, we should not expect the same expectations from that group. Many of them have serious barriers to employment.

It is important also, when you are looking at block grants and the formula to allocate block grant funds, to not reward inefficiency and recognize that administrative costs around the country differ. In Texas, the average administrative cost is \$238 a year, and the national average is \$566. The formula to allocate block grant funds also should not reward those States with high benefit levels. Funds should not be distributed strictly on the utilization of funds basis.

We also welcome the idea that Senator Kassebaum has talked about, where the Federal Government would assume the responsibility for the Medicaid Program and offer the States a block grant for AFDC, child care, the nutrition program, and so forth.

Mr. Chairman, again we appreciate you asking for the input of the State legislatures around the country, and we appreciate this partnership that the new Congress is offering to the States in this new initiative of looking to the States for ideas. We appreciate your efforts on welfare reform.

Thank you.

Chairman SHAW. Thank you. We appreciate you and the States setting the standard for us to follow.

Mr. English will inquire.

Mr. ENGLISH. Thank you, Mr. Chairman.

Dr. Ganske, you have been a breath of fresh air in your short time here, and I was wondering if I could get you to amplify on some of your practical observations from having served as a physician in the field up until very recently.

I was wondering if you could comment on the link that you see between the design of the welfare system and the destructive behavior that that design causes and the quality of the health of people in the welfare system.

Mr. GANSKE. I think the system has the wrong incentives. The Department of Human Services in my neighboring State, the State of Nebraska, did a study last year. They asked the question of why are people on welfare. Their basic answer was because it pays.

If you add up the benefits for a woman and two children in the State of Nebraska—Iowa is very similar in terms of its payment structure—if you add up cash assistance and all of the benefits, including title XIX, Medicaid and housing, in Nebraska, and similarly in Iowa, it works out to about \$22,000 a year. Now, that is about \$11 an hour in terms of a job for equivalency. I think there are some reverse incentives in the program. That is very much why we need work requirements.

Mr. ENGLISH. We have had a number of academicians come before this panel and try to argue with a straight face that the welfare system does not create the family breakup that we see in the underclass today. From your own experience in dealing with people who are welfare recipients, does that make sense to you?

Mr. GANSKE. In my practice, I have seen that couples do not stay together or do not get married because otherwise they could lose welfare assistance.

Mr. ENGLISH. In your experience, do people respond to the incentives built into the welfare system?

Mr. GANSKE. They do. I have always been one of the leaders in welfare reform. Just a year or so ago, they set up a whole new package in terms of making responsibility and accountability as part of the equation. They individualized each family and set up goals of work requirements for each family. It has resulted in a significant increase in families going back to work. So, the incentives have something to do with it, and the requirements have something to do with whether people stay on welfare.

Mr. ENGLISH. Thank you again for your testimony. I know we have quite a few panels today, so I will not ask any further ques-

tions. This has been a very distinguished panel of legislators who also have a lot of practical experience, and I appreciate their time in coming before this panel.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. English.

Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

It is so good to see you here, Congressman Franks.

Mr. FRANKS. Good morning, Mr. Rangel.

Mr. RANGEL. Is it your testimony that you support these electronic cards because you find a definite connection between drug abuse and AFDC checks?

Mr. FRANKS. I utilized that as one example, Mr. Rangel. I just believe that the debit card system would be far more efficient.

Mr. RANGEL. No, I was not talking about drugs.

Mr. FRANKS. Well, there are some reports, one being the Columbia University report—

Mr. RANGEL. No, no, no. Do you support that AFDC checks are used to buy drugs, and that is why you want the electronic card, or did you just throw it in to wake us up?

Mr. FRANKS. Yes, Mr. Rangel.

Mr. RANGEL. Now, where you have the largest amount of drug abuse, is there a connection between poverty and drug abuse, in your opinion?

Mr. FRANKS. Yes. Let me back up for 1 second—

Mr. RANGEL. I have a series of questions and there is a connection—

Mr. FRANKS. I want to expand upon them versus just having a yes or no answer, but I will give you yes or no answers, if you prefer that. But I would like to expand upon the point.

Mr. RANGEL. I just want to ask questions, because when you tie up the AFDC check with welfare, I just want to know whether you have got it tied up with poverty, whether you are going to tie it up with high school dropouts, whether you are going to tie it up with the highest degree of homelessness, with AIDS, with hopelessness, with the highest unemployment rates.

If you were to take all those things and put them together, would that not be where the highest amount of drug abuse would be?

Mr. FRANKS. Yes.

Mr. RANGEL. And police corruption, too, right?

Mr. FRANKS. Yes, most definitely.

Mr. RANGEL. So if we really want to tackle this problem, would you disagree that education, training and jobs would be the most important thing we could do?

Mr. FRANKS. And we have that in H.R. 3500, Mr. Rangel, yes.

Mr. RANGEL. Very good. Now, I suspect that you support the Contract With America.

Mr. FRANKS. I have some reservations with the Contract With America, but I look forward to working out those concerns with the Chairman and others.

Mr. RANGEL. How about the tax provisions? Do you support the tax provisions in this Contract?

Mr. FRANKS. At this point, Mr. Chairman, I would rather refrain from making comments about that. I am here to talk about my

debit card idea. I would like to be able to meet with my Republican Members on my concerns about the Contract With America, and at this point, I reluctantly do not want to respond to that question.

Mr. RANGEL. Well, your Republican friends have advocated tax cuts that, according to the Joint Committee on Taxation, would cost \$196 billion, and the Chairman of this distinguished Committee, a Republican colleague, indicated that this has to be paid for, and has also indicated that we are not going to touch Social Security, and I assume Medicare. Most of us agree that the overwhelming cuts are going to be with programs that service these poor communities that you and I were discussing. Do you support—

Mr. FRANKS. As I said before, Mr. Rangel, I am here to discuss my debit card proposal, the bill which I introduced in the last Congress; a bill for which the administration has also shown a considerable amount of support. H.R. 3500 had a provision that talked about the debit card/electronic benefit transfer system.

Mr. RANGEL. But you do not want to talk about the poor—

Mr. FRANKS. I have no desire at this point to discuss the particulars of the—

Mr. RANGEL. My admiration for you has dramatically increased, because if I were you, I would not want to talk about this either. So why don't we quit on that very high note.

Mr. FRANKS. Thank you, Mr. Rangel.

Chairman SHAW. Well, so much for high notes.

Do any of the other Members have any questions?

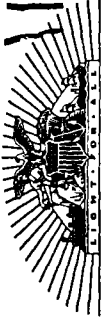
[No response.]

If not, we thank you all very much for being with us and for some very, very fine testimony.

Mr. Cardin, who is a Member of the Full Committee, has requested that a series of articles by the Baltimore "Sun" be made a part of the record. If there is no objection, I will see that they are made a part of the permanent record. This is the series that was laid on the desk I think last week or earlier this week for the Members to look at. It was a series on various poverty programs. They will become part of the permanent record.

[The following was subsequently received:]

# THE SUN



SUNDAY, JANUARY 22, 1995 \$1.50 BALTIMORE, MARYLAND

## SPECIAL REPORT

# America's most wanted welfare plan

**Rosie Watson finally found the key to Social Security's generous disability plan. Now, a hostile Congress wants to slam the door to save taxpayers billions.**

**By John B. O'Donnell and Jim Heiser**  
Sun Staff Writers

**LAKE PROVIDENCE, La.** — Rosie Watson is a woman who has been waiting for a key to unlock the door to Social Security's generous disability plan. Now, a hostile Congress wants to slam the door to save taxpayers billions.

Watson, 42, is a single mother of three children, two of whom are disabled. She has been waiting for a key to unlock the door to Social Security's generous disability plan. Now, a hostile Congress wants to slam the door to save taxpayers billions.



**Any changes made in the way Social Security is run by the Social Security Administration will affect many other groups, including children with disabilities.**

The nation that they are popularly known as "welfare checks" is a small business would be high. The nation that they are popularly known as "welfare checks" is a small business would be high. The nation that they are popularly known as "welfare checks" is a small business would be high.



**First in a series**

## SSI aid supports family of nine

Photo by

not able to work, and it's the best money."

There is little question about that.

Created by Congress two decades ago, the SSI program has become the nation's most generous welfare plan.

In 6.5 million recipients include not only the aged, blind and infirm, but also those with environmental, alcoholism and drug addiction who support their families with the cash; immigrants; and 900,000 children, 61 percent of whom get checks for mental problems.

The cost of SSI went from \$1.5 billion in the past five years. It is expected to increase another 35 percent by 1990.

Already it costs the federal government more than the original "welfare" program, Aid to Families with Dependent Children (AFDC).

To Sen. Robert C. Byrd, a West Virginia Democrat, it is a "well-intentioned catastrophic program run amok."

Maureen Watson first tried to get ahead when she was 25.

She was an eighth-grade dropout with an infant and a half-sister, collecting \$80 a month in AFDC, when she heard about SSI. She applied for it in 1974, thinking that the new disability law might help her find a medical position, she filed her first application.

She was turned down, but she would persist over the years with 17 more applications for her family. With the rules permitting unlimited applications and unlimited SSI checks to a household, there is no indication that she did anything but continue her fight to get benefits from a government program.

### The long quest

First in the family to go on the SSI rolls was her second child, Sam. It was 1978 and he was 4 when Ms. Watson filed his application. He had just been declared "mildly mentally retarded" by evaluators at Northeast Louisiana University. Ms. Watson had said then that he was violent, a threat to other children.

Relying on that report, Social Security decided in June that Sam should get benefits. But, a month later, a man developed. Concerned that checks were being handed out too casually, the agency had begun to second-guess new awards. A pediatrician reviewing Sam's file said that his "problem" was normal childhood behavior. Social Security workers tossed Sam off the rolls.

Ms. Watson applied three more times unsuccessfully for Sam. Then in 1981 gave up — temporarily.

For 27 months, she made no claims. During that period Social Security underwent profound change, the result of the worst crisis in its history.

The agency had admitted in 1980 that 20 percent of disability recipients shouldn't be getting checks, prompting Congress and the Reagan administration to order a purge of the undeserving.

Social Security kicked hundreds

of thousands of people off the rolls, generating a public outcry that forced Mr. Reagan to end the purge in 1984. Congress, the courts and Social Security reacted by opening up the rules, producing a sharp rise in the number of people entering the program — including a tripling of the children's rolls between 1989 and 1994.

Determination to guard the public purse against cheaters gave way to concern about cheating the deserving poor.

Sam Watson was one of the first to benefit from this new attitude.

In February 1984, at the peak of the backlash, Ms. Watson filed his fifth application, again claiming that he was retarded and had behavior problems. "I have to keep knives or weapons away from him — he has injured his brother," she said.

Sam was soon getting his checks.

Now 21, Sam still gets a check.

Critics say there is little incentive for him to overcome his disability. His parents would lose the money if he does. And Social Security rarely checks to see if children are still disabled.

The agency has not reviewed Sam's condition since awarding him benefits.

It is a pattern that conservatives see in many government entitlement programs — benefits that encourage recipients to lead unproductive lives.

Not only did Sam become the first Watson to win benefits, he was the first to get a retroactive "bonus."

Because SSI payments are

backdated to the date of application, no matter how long it takes Social Security to award benefits, each successful applicant gets a retroactive payment. In 1984, Sam's was nearly \$800, covering the three months between application and approval.

Eight years later, Sam produced a much larger "bonus" for Ms. Watson. Social Security sent her nearly \$10,000 after concluding that Sam really should have been put on the rolls in 1980. In 1980, Sam's brother Cary got a similar \$10,000 payment. In all, the family has received \$37,000 in tax-free

retroactive payments.

Sam and Cary's checks grew out of a 1990 Supreme Court ruling known as the Zebky decision. Social Security was told to evaluate children as thoroughly as it does adults and ordered to reopen a half-million cases dating from 1980.

The result: The doors to disability payments were thrown open for children. So far, 134,000 of them, including Sam and Cary, have shared in retroactive payments of \$1.4 billion.

By November 1991, six of Ms. Watson's seven children were on the rolls.

Cary became the last, finally making it in February 1993.

Ms. Watson filed his first application in 1989 when he was 16. A psychologist found him "borderline ... easily irritated ... aggressive and explosive" and noted that he had killed a man in self-defense.

Caseworkers turned him down.

Ms. Watson applied again and got the same answer. This time she appealed to a judge.

Meanwhile, Cary went to prison for nearly two years for kicking his pregnant girlfriend, injuring her and the child, and his case was put on hold. Once freed, he went to a psychologist who told Social Security that he had an IQ of 83, "strong anti-social features in his personality and is volatile and explosive."

And, added Dr. Bobby L. Stephenson, of Monroe, La., "He said he does not want to work."

A month later, in February 1993, the judge awarded Cary monthly checks, and gave him the retroactive payment, excluding his jail time.

### Eased access

Start to finish, Ms. Watson's quest for her children took 15 years. It spanned a period when Social Security and

Congress eased access to benefits for a number of reasons; importantly for the Watson family they included expansion of the list of mental ailments that qualify. Today, mental problems are the primary diagnosis for almost two-thirds of the children among the 4.5 million disabled SSI recipients.

Ms. Watson's offspring are among the two-thirds.

Only one of them, Oleaner, 13, baby of the family, still attends Southside Elementary School, across the street from the Watson house.

The principal at Southside is Willie Lee Bell, a man who despises the SSI program.

Broad-shouldered and soft-spoken, Mr. Bell knows poverty, too. He grew up with 10 brothers and sisters in a four-room sharecropper's house on Eppe Plantation in West Carroll Parish, where his father worked 12 hours a day. His failed kidneys would automatically qualify him for disability payments from Social Security if he chose not to work.

He has watched the tidal wave of SSI applications up close. For



Sam Watson photo

After 11 years and five rejections, Social Security approved disability for Rosie Watson.







MONDAY, JANUARY 23, 1995

# America's most wanted welfare plan

## Addicts squander checks on drugs and alcohol

After years ruined by alcohol and cocaine, Jack Gordon Hill Jr. of Baltimore thought he'd found peace with his kitten Serenity in a California drug treatment center. Months later, he was out on the street, Social Security disability cash supporting his habits.

By Jim Haner  
and John B. O'Donnell  
Sun Staff Writers

They found Delmont Williams' body in an alley off Harlem Avenue, lying under the bald branches of a withered willow tree, staring up at the afternoon sky through dead eyes on "check day."

He had enough alcohol and heroin in his veins to intoxicate three men.

And you paid for it.

The homeless Army veteran overdosed with money from a Social Security program that doles out monthly checks to 8 million people who are too old or disabled to work. But 250,000 of them are believed to be hard-core substance abusers who routinely squander

the cash on drugs and alcohol.

Beginning Friday, the new Republican-led majority in Congress will examine the problem in hearings on Capitol Hill. Some are already vowing to give addicts the ax.

But they will soon learn that it's easier said than done because of one little-known fact:

Most of the addicts and alcoholics on the rolls — perhaps as many as three out of four — are retarded, blind, crippled or suffer from some other disability that would still entitle them to the \$458 monthly

checks. And Congress has refused for two decades to provide treatment for addicts in spite of a chronic shortage of even the most basic rehabilitation. Fearing that any

appearance of coddling drug abusers would invite voter backlash, the nation's lawmakers have ignored social workers and drug counselors who say that intensive long-term treatment is the only answer.

"The first reaction of right-wing conservatives will be to gut the program completely," says Dr. Sally Satel, a Yale psychiatrist. "And the real liberal types won't want it touched. But either of those courses would simply perpetuate this crisis."

Says Pam Rodriguez, a Chicago drug counselor: "We have never seen a population like this before. For years, Social Security saw its job as to simply write checks. Now, we're getting [people] and they're ruined. We don't even know where to start."

Checks for the drug abusers are costing taxpayers \$1.4 billion

a year. Most are alcoholics. The vast majority are men. Almost half are black. Their average age is 42. And few ever kick their habits. Rather, they usually end up dead or in prison within seven years of receiving their first check.

The case of Delmont Williams is typical.

A bearded father of two who drifted from North Carolina to Baltimore, his medical records show that Social Security knew he was a hard-core alcoholic when it mailed him his first check in 1987.

His liver was swollen from years of heavy drinking. His teeth were missing. And his skull — bashed in years earlier in a drunken brawl — was webbed

See ADDICTS, 8A



## You pay as addicts squander SSI cash

From JA

with cracks like a piece of glass— together misery he suffered from seizures and mental illness.

There could be all the questions that he wasn't capable of holding a job, or that he would squander the money Social Security gave him for his fractured skull and manic depression unless he got off drugs and alcohol. But the agency offered him no help. Just a check.

"Definitely know he was dying," says Carlos Montes, a drug counselor of the Health Care for the Homeless free clinic on Park



Ernest after visiting his last check. Ernest Hernandez overdosed in a Baltimore alley.

"Those were the times that he'd go looking for help. The problem was that we could never find it for him before that damn check came in the mail on the last of the month and the whole cycle started all over again."

In a city with some 2,400 addicts on the disability rolls, the highest per capita rate of heroin-related emergency room admissions in the country, it is not even short-term treatment available for nine out of 10 addicts, the nonprofit Abell Foundation found last year.

And the kind of patient care that remains hard-core addicts from their drug-induced haze long enough to learn a new way of life is not available at all in Baltimore.

Time and again, Delmont Williams was condemned by visiting him up to a year, he headed back out onto the street to blow his last money on buying needles but ended in trash strewn alleys and hospitals all over the city.

On the afternoon of June 1, Ernest came upon his last check. But Baltimore alley erupted in a red police riot and 10 hours earlier, he had picked up his last \$448 check from a mail drop at the clinic and rushed to a nearby liquor store.

Delmont Williams died homeless, alone and alone at 46. "With his history, there was no way he should have been walking around with that needle in his pocket," says Lawson Stephens, a social worker at the first clinic that he gave it to last summer.

Every month, no strings attached, the check would come and Delmont would spend it on drugs and alcohol. Until it finally killed him.

The money came from a program known as SSI, for Supplemental Security Income—a plan set up by Congress two decades ago with little definition or detail. The idea was to provide food, shelter and clothing to disabled poor people.

It is one of two such programs for the disabled run by the Social Security Administration. The other is called DI, for Disability Insurance. Since 1980, it has let workers who have paid into Social Security's retirement trust fund draw benefits early if they become disabled, ill or injured.

Such programs are in trouble.

### Contradictory law

Envisioned as a modest provision to help a few million aged and disabled Americans, SSI and DI now cost \$85 billion a year—fueling the national debt and sapping the funds that retired Americans rely on to pay their bills.

Both are covered by the same set of 1972 disability rules.

Even then, thousands of recipients were known drug addicts and alcoholics. But the rules placed few controls on how they spent the money—except that they could not use it to buy drug treatment until they first paid their rent, utilities and living expenses.

In a glaring contradiction written into the law, Congress decreed that letting handicapped addicts spend their checks on treatment would violate the philosophical underpinnings of the aid program: to provide for the basic needs of those who couldn't work.

That decision set blind, retarded and mentally ill addicts adrift in lives of despair because it effectively cut them off from private clinics, where treatment is generally avail-

able to anyone who can pay for it. And the prohibition has remained unchanged for more than 20 years. Further, tucked inside the law was one sentence that said addiction alone could qualify as a disabling disorder, making it possible for virtually anyone hooked on dope or booze to get a monthly check even though they have no other disability.

Before then, an addict or alcoholic had to prove that his substance abuse was so severe that it had caused disabling brain or liver damage, conditions that usually took decades to develop.

But under the 1972 rules, an addict has only to prove that his drug abuse has had enough to keep him from holding a job—opening the door for thousands of young, physically disabled and who probably never would have qualified for aid under the older rules.

They are men like Ernest Hernandez.

The 34-year-old heroin addict and father of two sits in the brown grass outside the San Joaquin County drug clinic in French Camp, Calif., a desolate farm town east of San Francisco.

He fidgets with his beefy hands as he describes his six years on SSI.

A one-time cannery worker and farm laborer, he has no apparent physical problem that would keep him from working. He is lucid in conversation. And at 6 feet tall and 225 pounds, he's built like a weight lifter.

"I admit it," he says. "I don't look sick."

But he's collecting \$458 per month in SSI, which qualified him for a \$200 supplemental payment from the state, bringing his tax-free monthly take to \$658—about the same amount that the average retiree gets from Social Security after a lifetime of labor.

"The money definitely changes you," he admits. "I just ain't going to be risk taking that money by working at some minimum-wage job. Next thing I know, I get too stoned. I lose the job. Then what am I going to do to feed my kids?"

You can tell them congressmen, if they stop SSI, the crime rate around here is going to go through the roof. It's all a lot of us have."

And Ernest Hernandez knows about crime. He says he's been using heroin and cocaine since he was a teen-ager, landing in prison at least nine times. He'd like to get himself clean and back to work—if for no other reason than to get his family off his back and to "be able to spend a weekend in the mountains without having to come home early because I ran out of dope."

But he has never been able to rehabilitate himself. Even when he works it, there is little in the way of intensive treatment available. On this sweltering day in July, he waits in a line of black tar heroin he shot into his leg the night before. He considers his options as he fingers a small, gummy "booger" of heroin in his pocket.

### 'I'm really gonna kick'

Cheap and plentiful, black tar has spawned a plague of addiction in the cities and towns along Interstate 5 that has helped make California—with at least 34,000 addicts on the aid rolls the "Disability Capital" of the nation. "You back again, Ernest?" asks Floyd Brown, the chain-smoking assistant director of the clinic.

"Yes, sir," Ernest Hernandez replies, hoisting himself up from the grass. "I want to get on the waiting list. I'm really gonna kick this time."

Both men know his chances of getting off heroin are nil. Since he's been on SSI, he's been in and out of the clinic so many times that they've both lost count.

He is one of 6,000 heroin addicts in the valley who rotate on and off the out-patient treatment program throughout the year. In a region that has become a hotbed of disease, many of them suffer from tuberculosis and AIDS. Three out of four are getting disability checks, according to a recent county survey.

"They're just positive for heroin and we'll flunk them out of the program," Mr. Brown says. "Then they'll get back up on the waiting list and the whole thing starts all over again. I can honestly say that

in my 21 years in this business, I have never seen a disability recipient successfully complete the program."

When Congress first decided to let addicts like Ernest Hernandez get aid for merely being addicted, it ordered Social Security to herd them into treatment as a condition of their getting checks.

Any addict who refused was to be cut off—except for DI

addicts, because Congress deemed that they had "earned" their benefits when they were working and should be free to spend them as they saw fit.

The treatment rule was supposed to be kept poor addicts on SSI from simply using the money to feed their habits.

But former agency officials and legislative aides say they warned Congress as early as 1969 that there were nowhere near enough in-patient treatment slots for them. And no one expected out-patient treatment to work.

But the nation's lawmakers were less interested in accountability for addicts, the aides say, than they were in insulating themselves against outraged taxpayers should the program go wrong. Then Sen. Russell Long, the legendary Louisiana Democrat, was the prime mover.

"He told us there was no way in hell he would support giving checks to dope addicts without at least making it look like we were getting tough with them at the same time," says Tom Joe, a Washington social policy analyst who helped write the disability rules. "Every body knew that they probably wouldn't be able to actually end treatment."

Then, in 1970,

Today, a minimum of 3.2 million addicts and alcoholics need help, according to federal, state and private estimates. But there are slots available for less than half and at least 100,000 people are on waiting lists for those slots at any time. For others, there are no slots.

### Consider

North Carolina a state with 8,300 addicts on the federal disability rolls and few public-funded in-patient treatment slots.

In Asheville, a small town in the pine-blanketed foothills of the Great Smoky Mountains, a downtown Social Security office draws scores of disabled people from the surrounding countryside. Many are illiterate, hobbled by years of hard labor in mines and lumber mills, and suffering from addictions to rot gut wine and moonshine.

"We're basically letting them get treatment when there isn't a treatment facility within 200 miles of here," says Sharon DeLong of the American Federation of Government Employees, who represents local caseworkers.

"We try to push them into Alcoholics Anonymous or something like that. But for a long time, long can they last when all there's going to be a couple hours of group therapy beseeching at Yale and the back out to sleep in the woods or a dozen other alcoholics? It's utterly demoralizing."

Her frustration is echoed by caseworkers and drug counselors from Baltimore to Seattle who say Congress and the Social Security Administration have never been serious about rehabilitating addicts—or in understanding how treatment works.

Counselors surveyed by The Sun say programs like the San Joaquin methadone clinic and Alcoholics Anonymous that bring addicts in off the street for a few weeks of identification or a few hours of group counseling every day are the least likely to succeed with hard-core substance abusers.

"It amounts to drive-by therapy," says Dr. Seidel, a professor of psychiatry at Yale and the University of Pennsylvania who has worked with addicts for seven years. "It may work fine for the early stage addict who still has a

home, a family and a job. But that's not who you see on the disability."

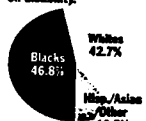
These people are severely debilitated by drug abuse, and they need months of heavy-duty residential care that cuts them off from their addict friends and their old hangouts and teaches them a new way of life."

And it is precisely this kind of treatment that Congress has refused for 20 years to provide in the disastitute substance abusers on federal disability. Today, there are only 68,000 federally funded in-patient slots in the entire country.

"It's one of the terrible tragedies of the disability program," says Dr. Seidel. "Congress tells you 'You have to be in treatment, but we're not going to give it to you'—and

### WHO GETS CHECKS?

Percentage of drug abusers and alcoholics on disability.



SOURCE: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF DISABILITY BENEFITS, 1988.

## Checks flow as treatment lags

you can't use your check to buy it on your own.

Under the rules set up by Congress, Social Security is required to pay checks to addicts who are caught spending them in a residential program.

Adding insult to injury, runners say, Congress ordered Social Security last summer to carry out a plan to cut off addicts' checks after three years. The agency says the move will trigger \$275 million in institutional, processing and legal costs — enough to buy residential treatment for 35,000 addicts.

"Instead, we're spending it to shove these people back out onto the street in 36 months," says an unrepentant Jack Gusella, who represents state rehabilitation directors in Washington. "We stop their drugs for them for three years but we won't get them in patient treatment. It's insane."

But will the crackdown achieve the results that Congress promised its taxpayers when it agreed to pursue addicts from the roads? That's because most of them suffer from other physical or mental disabilities that will qualify them for aid.

"The fact is that drinking and drugging is usually just part of the problem," says Joe Meier, a Washington spokesman for the addicts. "They usually have a complex of ailments that may or may not be related to their substance abuse."

Willard Redpant is a waiting situation.

### 'Pints away from dead'

Most mornings the 42-year-old Dakota Indian can be seen stumbling down Larimer Street on the graffiti-crusted industrial fringe of downtown Denver, a bottle of 90-100 proof wine in his trembling hand and a glassy film across his bloodshot eyes.

At 10:30 on a bright, clear morning in August, he is already drunk. So drunk that when he blows into a breathalyzer, or a nearby homeless shelter he registers a porethane breath, 43 blood alcohol level — four times the amount to be considered legally inebriated.

"God almighty, Willard!" shouts Gus, director of the shelter. "You're about two pints away from dead!"

He breaks into a heated lecture, brow lowering. Arriving in 1981, Gus reminds Willard Redpant that at least 41 men have killed themselves on Larimer Street with disability aid money in the past few years.

"You know a lot of those guys didn't read?" Gus asks. "You want to read up like them?"

"I like my wine," Willard Redpant replies sheepily. "I like to drink."

Feeling of sorrow and embarrassment turn him right of sleeping in an alley, he says he can't remember how long he has been getting disability checks. Court records show it has been at least since 1985.

But alcoholism is far from his only problem.

Willard Redpant is mentally retarded. And his brain is damaged from a car accident that sent him hurtling through the windshield of a pickup truck when he was a child. He signs his name

with an "X" because he cannot read or write.

When he was 4, a gang of thugs kidnapped the father during a robbery. A few years later, his mother was taken away to a mental institution. By the time he was 15, he was drifting the Western high country alone.

His earliest arrest in Denver is recorded in court files at age 25, when police found him stumbling



**JOHN D. HOLLANDER** TO THE BAR 61 men have killed themselves on Larimer Street with disability aid money, says Bob Carr, director of a Denver homeless shelter.

drunk down the center of a state lane interstate in the middle of the night. Since then he has been arrested 16 times in alcohol-related incidents.

In 1986 he beat another homeless man to death with a slab of concrete over a stolen radio. Convicted of manslaughter, he served three years in prison, feeding his habit with homemade pota-  
toe soup.

"It gives you a hangover in the morning," he says of his drinking. "And I'll end up dying. But that's the only bad part."

Each morning, he goes to a homeless aid station where social workers plot out his monthly checks to him in \$10 installments.

"I can buy four bottles of wine with that much," he says. "That's a lot of wine."

Left without treatment, counseling or supervision, Willard Redpant receives just enough money every day from U.S. taxpayers to drink himself to the edge of death.

And the crackdown launched by Congress last summer, with multi-election year motives will do much to stop him. If Social Security cuts off the checks because of his alcoholism, all he will have to do is

reapply, using mental retardation and brain damage.

But do drug counselors and social workers expect any of the other measures Congress passed in August to have much effect? Among the mandates were orders for Social Security to force addicts into treatment programs that don't come and to hire special inspectors to make sure they don't default their checks.

But the agency has had inspectors in 18 states for years. And they say they have been encouraged to follow by a lack of funding.

### Little supervision

In California, Social Security monitored addicts so poorly that it continued to send checks to 118 of them made over more than prison, the state attorney general found last year. And in Illinois, a Chicago firm lost track of 7,000 more. Because Social Security never provided a list of their names.

And Social Security does not expect to be able to tighten supervision with the money Congress wants to spend on the job. Rather, arrest firms will be paid roughly \$600 per addict to monitor their whereabouts and make sure they are signed up on waiting lists until their checks are not in 36 months.

"Obviously one long-term goal is to rehabilitate people," says Commissioner Shirley S. Chatter, the agency's head. "And the way we do that is to have these monitoring agencies encourage the addict's sense of individual responsibility to find treatment for himself."

But Social Security estimates that the majority of substance abusers on disability — perhaps as many as 300,000 — will continue to get checks and go untraced long after the three-year cutoff because of loopholes in the law.

As many as three out of five are exempt because they have other disabilities. And another two out of three are collecting DI checks that can't be cut off until three years after they are actually arrested into a treatment program because Congress decided they "earned" their benefits.

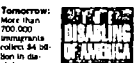
Meanwhile, new addicts continue to pour into the rolls. Social Security estimates that the number drawing checks today will almost double by the turn of the century.

"It is time to get on giving them cash," says Dr. Salim, the Yale psychiatrist. "But it also makes no sense to just take that money away and place it into some other program. Congress has to wake up to the fact that we need hard-headed treatment to interrupt this cycle of addiction, crime and punishment that is costing taxpayers a fortune in more ways than one."

Estimates by the National Association of State Alcohol and Drug Abuse Directors are that every dollar spent on drug treatment saves \$14 in police, court, reentry costs and prison costs.

But so far Congress and Social Security have been unwilling to spend the money — even in the case of men like Dr. William Williams who desperately want treatment and will surely be without it.

"It is not our job to solve the problems of the addict population," says Deputy Social Security Commissioner Larry Thompson. "Our job is to write checks."



**TOMORROW:** More than 700,000 unemployed collect \$4.08 a day because

Congress and Social Security opened SSI to the mentally ill, alcoholics and men like Willard. Now the problem is so big it will be difficult to fix.

**Wednesday:** What began as a high-stakes game of political poker in 1968 turned into America's most precious welfare plan. Expanded by Congress, it now underpins the Social Security retirement fund and increases the federal deficit.

MONDAY, JANUARY 23, 1995

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SPECIAL REPORT

# A Baltimore addict's odyssey

*SSI saved him — or so he thought*

By Jim Haner  
and John B. O'Donnell  
Sun Staff Writers

FRENCH CAMP, Calif. — Jack Gordon Hill Jr. knows he's not very popular these days. He knows a lot of taxpayers hate the idea that he's getting \$458 a month from Social Security simply because he disabled himself with drugs and alcohol.

He has friends on the street who get the checks and use them to buy dope and booze — hardcore addicts who could care less that they are tempting Congress to wipe out the Supplemental Security Income program for substance abusers.

But he also wants you to understand that it's the only lifeline for people like him who are serious about getting themselves cleaned up and back to work.

"It's like I been falling in a bottomless pit all my life and all the sudden there was this one thin branch sticking out," said the 41-year-old Baltimore native in a July interview. "I grabbed it. Now, I'm climbing out."



SCOTT AMER/SPECIAL TO THE SUN

**"I have a lot of apologies to make to a lot of people, especially my kids," says Jack Gordon Hill Jr.**

Six months later, he would find that the climb was longer than he thought.

Last summer, he was full of hope. The one-time beautician from Hampden sat on the edge of his bed in a treatment center in the middle of the California desert and gently cupped a kitten in his scarred hands. Her name was Serenity, something he said he had finally found after more than two

decades.

He verged on tears as he described how his life was torn by cocaine and liquor. The infant son he put up for adoption. The two small daughters he abandoned in Baltimore. The ruined marriage. The years in jail for petty theft, shoplifting and burglary.

"I have a lot of apologies to make to a lot of people, especially my kids," he said.

He was interrupted by his roommate crying out in his sleep. Bathed in sweat, shivering beneath a rough wool blanket, the other man twisted in his sheets through the first stage of heroin withdrawal.

Jack Hill returned to the question at hand: Why should taxpayers be willing to continue giving checks to addicts?

"SSI saved my life," he said. "If it wasn't for SSI, I'd still be out there on the street."

Six months later, after graduating from the program, he was back on the same dismal street corner in nearby Stockton — stoned and stumbling, with federal cash in his pocket and a head full of drugs.

"He left here clear-eyed and looking like he would make it," said Craig Wooden, director of the clinic. "Now, he's wiped out again. The fact is that 80 percent of them relapse without intensive follow-up, but there's only so much we can do for them."

TUESDAY, JANUARY 24, 1995

## SPECIAL REPORT



Stephan No, a Cambodian refugee, admits paying a middleman to help his family find doctors and caseworkers in order to qualify for SSI.

## America's most wanted welfare plan

By Jim Hasez  
and John B. O'Donnell  
Sun Staff Writers

### Immigrants walk off the boat and onto SSI disability rolls

They came in a huddled mass, tired, poor and yearning to breathe free. Then, they saw the ads.

"You are disabled, mental disabled, having serious sickness or being wounded, you may be eligible," proclaimed one offer in a Cambodian newspaper in Santa Ana, Calif.

"Free counseling," said another in Beverly Hills. "Client will only pay after receiving money."

And again in San Jose: "We are professionals on SSI — with 85% success rate!"

Through such ads, thousands of immigrants have stepped onto U.S. soil in recent years and found their way to hucksters, con men and entreprenuers social workers who steered them onto a federal welfare program for the

disabled called Supplemental Security Income. Without working so much as a day, the new arrivals begin collecting \$458 a month.

In just five years, their numbers on the SSI rolls have doubled to more than 700,000 — making them the second-fastest growing group in a Social Security program originally intended for poor Americans too old or disabled to support themselves.

In 1994 alone, their monthly payments absorbed almost \$4 billion in taxes — enough to buy a four-year education at Harvard University for every

graduating high school senior in the Maryland public school system.

And more are on their way from such places as Mexico, Vietnam and Russia as an immigration boom almost unprecedented in U.S. history continues.

Now, the new Republican majority in Congress is gunning for them. Spurred by the mounting voter outrage that led California to cut off services to illegal aliens in November, the GOP is expected to call later this week for deep cuts in disability aid to noncitizens.

It's time for them to live up to the commit-

ments they made when they came to this country," said Sen. Rick Santorum of Pittsburgh, a former Republican representative who parlayed promises to purge the foreigners into a successful Senate campaign. "We cannot allow ourselves to become the dumping ground for the world's problems."

But records make clear that Congress is largely responsible for the problem. It triggered the surge by inviting thousands of mentally ill refugees into the United States and allowing them onto SSI just as it was passing the most generous mental disability rules in history.

As a result, more than 1 million "mentally disabled" people came onto the rolls. And mental problems became the No. 1 claim of those seeking aid — citizens and noncitizens alike.

See B10PAGES, 6A

THE  
DISABLING  
OF AMERICA

Third in a series

## CAN YOU QUALIFY FOR MENTAL DISABILITY?

Here is a list of symptoms that Social Security uses to determine whether an applicant is eligible for \$458 monthly disability checks for emotional, psychosomatic or personality disorders.

### Emotional disorders:

- A. If you have four of the following, you may be depressed:**
1. Loss of interest in activities.
  2. Trouble sleeping.
  3. Agitation.
  4. Decrease or increase in appetite resulting in weight change.
  5. Decreased energy.
  6. Feelings of guilt or low self-esteem.
  7. Difficulty concentrating.
  8. Suicidal thoughts.
  9. Hallucinations, delusions or paranoia.
- B. If you have three of the following, you may be manic:**
1. Hyperactivity.

2. Racing thoughts.
3. Uncontrollable talkativeness.
4. Inflated self-esteem.
5. Decreased need for sleep.
6. Easy distractibility.
7. Failure to recognize unpleasant consequences of actions.
8. Hallucinations, delusions or paranoia.

### C. If you have a combination of the above symptoms, you may be manic-depressive.

### Psychosomatic disorders:

#### If you have one of the following, you may qualify:

1. A history of unexplainable symptoms beginning before age 30 that resulted in unnecessary medication, doctor visits and changes in living habits.
2. Frequent disturbances of sight, hearing, speech, sensation or use of limbs with no known physical cause.

3. Unrealistic actions based on imaginary physical symptoms.

### Personality disorders:

#### If you have one of the following ingrained behaviors, you may qualify:

1. Seclusiveness, unreasonable suspicion or hostility.
2. Odd thinking, speech or behavior.
3. Mood swings.
4. Chronic dependency, passivity or aggression.
5. Unstable relationships and impulsive damaging behavior.

#### Any of the above combined with at least two of the following may make you eligible:

1. Restriction of daily activities.
2. Inability to function socially.
3. Inability to concentrate or complete work tasks.
4. Deteriorating work quality.

SOURCE: Social Security Administration

# Tales of suffering — some true, some not

From LA

Records show that immigrants came onto the rolls for mental disabilities at a faster rate than any other group except children, demonstrating the combined effects of open-handed immigration policies and relaxed rules on mental disability.

Today, Social Security pays out more than \$25 billion to 6.3 million disabled and elderly people. One out of every eight is a legal alien or refugee. Of the disabled, one out of every three is getting checks for a psychological problem.

These two facts are closely related. Behind them is the story of a 24-year immigrant boom that caught Social Security unaware, the rise of America's disability culture and how they were both promoted by Congress. And it might not have been told at all if not for a man named Shmady McNeil Chan.

A 33-year-old San Diego County social worker, he ran a collage industry from the front seat of his gray BMW 318i sedan helping Southeast Asian refugees scam money from Social Security.

For a fee of \$2,700, he led a ble-bodied aliens into a federal office building in San Diego, took them before Social Security caseworkers and fabricated harrowing tales of wartime suffering that he claimed left his clients too traumatized to hold a job.

He had been able to do this for seven years, he boasted to a group of potential clients last year, because few of the agency's caseworkers could speak foreign languages well enough to question immigrants directly.

"Not to worry," he assured them. "They are Americans. We are Cambodians."

Posing as a translator, Chan did all the talking. He then steered his clients to psychologists who — citing the mental disability rules passed by Congress — confirmed that they were mentally ill and couldn't work. Social Security would then begin mailing them monthly payments.

In this manner, Chan once boasted, he had no trouble getting checks for 2,000 of his countrymen, a population that would cost U.S. taxpayers more than \$10 million a year.

He had no way of knowing that three of his customers were undercover informants for the California attorney general's office or that his sales pitch was being recorded by hidden micro-

Caught red-handed, Chan was convicted last year of lying to caseworkers to get his clients government aid.

In exchange for a lenient sentence, he agreed to help state agents "sitting" doctors, druggists and psychologists running "disability mills" for Southeast Asian refugees in Southern California. One Vietnamese doctor and another Cambodian translator have been indicted so far.

"They are big men from the SSI — rich men," said Sombath Uon, a 44-year-old Cambodian who helped bring down McNeil Chan. "You see them in their big houses with their new cars. And the people are waiting in line outside their door to get the SSI like beggars. They are teaching the people to lie, to steal from the government."

"They are like godfathers."

## Powerful figures

From San Diego to Seattle, the middle men have become powerful figures, he said, commanding respect once reserved for village elders.

Some are trained and bonded translators who help refugees with everything from drivers' licenses to mortgage settlements. But others are fly-by-night hustlers who herd the sick, the poor and the gullible

through Social Security's English-speaking bureaucracy, then take a cut of the check and disappear.

They advertise in California's Vietnamese newspapers and on Cambodian radio talk shows. They rent office space in places such as Long Beach, where 100,000 refugees have given the city what is said to be the largest Cambodian population outside Cambodia. They do business in Thai, Laotian, Filipino and Japanese.

Alerted by the California attorney general's office to the fraud and unabashed marketing of the troubled aid program, Congress and President Clinton approved a raft of paper changes to the SSI law last summer.

What they did not do is fix long-standing flaws in the program that have allowed untold millions of dollars in fraud and waste to flourish for more than two decades.

They did not give Social Security money to hire or train more bilingual caseworkers. Rather, Mr. Clinton is cutting the work force at a time when only 14 percent of the agency's 30,000 caseworkers speak anything but English and less than 1 percent speak the Asian or Eastern European languages involved in most of the known fraud.

Congress did not address the fact that federal law enforcement

agencies have turned a blind eye to the fraud, leaving 300 Social Security field investigators on their own. It is the equivalent of asking one Baltimore Police Department district station to cover the entire state of Maryland.

And Congress did not acknowledge that it is largely responsible for the problem it is now complaining about.

In the grip of the Cold War, the nation's lawmakers began as early as 1965 to loosen immigration rules for refugees fleeing Communist countries, giving automatic residency to many and triggering a sharp rise in immigration.

A decade later, they created SSI — telling taxpayers that the program was for elderly and disabled Americans who could not help themselves.

But low-level legislative aides who wrote the program's rules inserted a sentence that wiped out long-standing residency requirements that once kept immigrants from getting government aid for years. And it meant that refugees were eligible the moment they stepped off the boat.

Then, beginning in 1984, Congress approved new mental disability rules that made it easier for the mentally ill to get on SSI — just as a tide of mentally stressed refugees was streaming through America's golden door.

The fall of South Vietnam, the civil war in Cambodia, the exodus from Fidel Castro's Cuba, the U.S.-backed

contra war in Nicaragua, the collapse of the Soviet Union, the fall of the Berlin Wall, the disintegration of Haiti and other calamities brought more than 15 million legal aliens into the United States.

It was 25 percent of the total U.S. immigration since 1820, packed into little more than two decades. And almost half came from the Asian and former Communist bloc countries of Eastern Europe that now account for most reports of translator fraud.

"We're dealing with an alien community isolated by language and cultural barriers that has been traumatized by unbelievably brutal wars and incredible poverty," said Chris Rodriguez of the California attorney general's office. "And we have a set of mental disability rules that practically any of them can pass, even though they may be working and supporting their families."

The new immigrants arrived to find a Social Security

Administration that had failed to train its work force in foreign languages.

"It's a problem we weren't even aware of until the last few years," said Lenore Carlson, who oversees the agency's 1,300 field offices.

### Few facts, big problems

**S**ocial Security never kept a comprehensive record of which officers were being hardest hit, she said, and never compiled enough data on immigrants to get a true picture of the boom. Likewise, no congressional audit of disabled aliens has ever been done.

Meanwhile, caseworkers were

drowning — caught between time-consuming applications from aliens and demands from supervisors to keep the cases moving in the face of a shrinking work force.

"We get all the runaways, homeless and vagabonds from four states," said Jeff Saul, a Seattle caseworker. "They're babbling at you in four dialects of Chinese, 13 Asian tongues, Spanish, Russian, Ukrainian and Filipino. We're using translators and sign language to prepare their applications."

"And God help you if you make a mistake or your productivity slips. Friend, you don't know what frustration is until you've spent a day in an SSA field office."

That's not the way Social Security Commissioner Shirley S. Chater tells it.

"I recently returned from a trip out West and was greatly heartened to see our people all pulling together in a spirit of cooperation to get a handle on this problem," she said in a recent interview. "And I believe we are. There's an optimism and positiveness that is inspiring."

Of the 913 Social Security field workers in the Seattle region, only 26 speak Asian or Eastern European languages, leaving them heavily dependent on free-lance translators. And none speak Cambodian.

Given these circumstances,

caseworkers say, events that unfolded there last year should come as no surprise.

After nearly four years of gathering leads on a suspected translator fraud ring, the state Office of Special Investigations drew the interest of the U.S. attorney's office in Seattle, which launched the only federal investigation to date into immigrant fraud.

FBI agents tracing the clients of one translator uncovered 50 unqualified applicants who would have drawn almost \$17 million in benefits in their lifetimes had they not been caught, said Assistant U.S. Attorney Steve Schroeder.

"If that isn't enough to drive you crazy, consider the fact that we have taken down three of these guys so far," Mr. Schroeder said. "And between the three of them, we're talking about potential losses in excess of \$200 million to U.S. taxpayers."

Typical was the case of a 63-year-old Vietnamese translator named Thah Huyen "Jimmy" Vo.

### American dream

**J**immy Vo came to the United States in 1975 after the fall of Saigon, after fording the Mekong River into Thailand with his wife and eight children, after living for months in squalid refugee camps.

Landing in Tacoma, the family began pursuing the American dream as thousands of immigrants before them had done: the hard way. They picked fruit and vegetables in the fields east of the city by day, attended school at night and saved their money.

Within a year, Jimmy Vo bought his first home off Yakima Street — "Little Vietnam" — Tacoma's refugee quarter. By 1980, he had his U.S. citizenship and a master's degree in social work from the University of Washington.

Soon, he opened his own business, Refugee Professional Services. Increasing respectability followed. He became a volunteer counselor for abused children and campaigned on behalf of a Little Vietnam community center.

Then, Jimmy Vo's American success story came unraveled.

"We paid him \$500 to assist us," a Cambodian named Sophan No told Tacoma police. "Jimmy Vo helped my wife and I to lie to the doctors and to the government people in order to qualify for SSI."

"I pretended to the doctors to be very stupid, and this was a lie

because I am very smart," said another immigrant, Saveun David Sam. "I pretended to the doctors that I could not work, and this was a lie because I was able to work very well."

Between them, the two Cambodians qualified for \$32,000 in SSI and other government benefits after bluffing their way through mental examinations with Jimmy Vo's help, court records show. In exchange for their cooperation and a promise to pay the money back, they drew a few weeks in jail. Jimmy Vo got five years in federal prison.

To investigators working the case, Vo demonstrated just how easy it is for almost anyone to exploit Social Security's mental disability rules with the right coaching or a sympathetic doctor. And there are signs that his is not an isolated case.

### Unequal equation

**T**oday, there are about 1,500 people on SSI living in and around the compact Little Vietnam neighborhood that covers a few square blocks near Tacoma's Lincoln Park. On their behalf, Social Security pumps about \$3 million every year into the tiny community of neat clapboard homes and apartment buildings.

Social Security officials say most refugees on SSI — two out of three — are simply too old to work. But Tacoma turns that equation on its ear. Of the 1,500 recipients in Little Vietnam, records show, only 200 are elderly.

Still, Ms. Chater said she is confident that fraud among refugees is not widespread.

"We don't want the American people to think this whole program is rife with fraud and start petitioning their Congress members to kill it," she said. "The fraud we're talking about represents a tiny fraction of cases."

Mr. Schroeder, the Seattle prosecutor, is not so sure.

"We keep hearing over and over again that we're making a mountain out of molehill," he said. "But the fraction we've been able to prove amounts to millions of federal taxpayers' dollars. And I stress the words 'able to prove.' The fact is, nobody has dug very deeply into this problem."

That's because Social Security's police force — the 300 agents in the Health and Human Services Inspector General's Office — are so busy investigating scams in other federal programs that they barely have time for anything else.

And federal prosecutors are too busy handling drug cases in most jurisdictions to be of much help. Even when local investigators manage to crack an SSI fraud case, they usually have trouble



TUESDAY, JANUARY 24, 1985

## CONGRESSIONAL REPORT

# Congress opens door to fraud by refugees

finding a U.S. attorney's office willing to take it to court.

"If you look at individual cases of SSI fraud, you're not generally looking at large dollar amounts," said Linda Summers, a senior inspector General's investigator in the Los Angeles regional office. "And that's what we need to justify spending \$300,000 on a full-blown investigation. We're not exactly over-staffed either."

Her office's 13 agents cover a 75,000-square-mile swath of two states that stretches from Los Angeles to Las Vegas — an area that contains no less than 400,000 SSI recipients, zip code records show. To perform a cursory review of that many case files would take each of her agents nine years.

"Finding the fraud would be like trying to find a needle in a haystack," Agent Summers said.

And even when agents prove fraud by a translator they cannot automatically kick his clients off the rolls. Under rules set up by Congress in 1984, they must also prove that the recipient is, in fact, not disabled.

"We're investigators, not psychologists," she said. "How are we supposed to determine whether somebody has a disabling mental condition when four psychologists will examine the same guy and give you four different opinions?"

"The bottom line is that once somebody qualifies for benefits, especially for a mental problem, it's very difficult to get them off the rolls."

And that observation is not lost on the rip-off artists.

Investigators in the San Diego and Seattle probes gave strikingly similar accounts of how crooked translators coach their clients to fake mental disorders instead of physical handicaps — because mental disorders won't show up on an X-ray.

### Bluffing through

Further, tests for psychological problems like post-traumatic stress and manic depression are often highly subjective and can easily be faked, if they are administered at all.

"The psychological examinations typically last eight to 10 minutes, and the translator answers most of the questions," said Mr. Schroeder, the federal prosecutor.

"We have cases of refugees who reported severe psychological trauma from witnessing their parents being killed and tortured in Cambodia, then we check their immigration files and find out their parents were with them when they came into the U.S. But they had no problem bluffing their way through the psychological exams and getting checks."

In Long Beach, Calif., where 15,000 residents are collecting \$6.7 million a month in SSI checks, investigators identified one psychologist who certified 300 SSI applicants as mentally retarded in a single year.

### Relaxed rules

Today, about one out of three immigrants qualify wholly or in part on mental disorders, according to Social Security.

And investigators agree that it is because of the relaxed rules Congress put into place in 1984 at the behest of disability lawyers and social workers.

Under the old rules, applicants had to prove they were suffering from a condition so severe it prevented them from holding any job.

Now, they need only show that a combination of symptoms prevents them from functioning in a competitive work place.

In effect, Congress expanded the definition of mental disability at the same time that it limited the number of jobs an applicant could be expected to perform. It also said that "pain alone" could qualify — even if there is no medical cause.

— opening disability aid to people with psychosomatic disorders that are difficult to disprove.

Further, the same generous rules apply to another Social Security program called Disability Insurance that lets workers who have paid into the retirement trust fund draw benefits early if they become injured or ill. It, too, has been hit by a sharp rise in mental disability claims.

"There also is little on the record to suggest that Congress recognized the dimensions of the revisions," the Congressional Research Service reported in a recent study. "The probability of being awarded benefits is greater now than it was in 1985."

And the probability that fraud will be detected once checks have been granted has dropped to something approaching zero.

"The whole game is won or lost at the application stage," said Agent Summers. "Once they get in, it's hard to get them out."

Social Security officials say they are painfully aware of the fact.

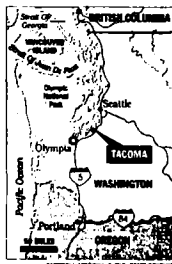
### New avenue for fraud

Commissioner Chater cited recent efforts to hire more bilingual caseworkers and to set up telephone conferences so they can help other offices process immigrant claims. But the agency also is expanding its use of volunteer translators.

Lemore Carlson, the field operations chief, said such "freebies" save taxpayers money. But her caseworkers say it's a new avenue for fraud.

In one typical experiment, Social Security now allows immigrants in Bridgeton, N.J., to fill out applications at a Hispanic community center run by volunteers — who turn the paperwork over to the agency's local office each day.

"We are now handling applications from people we have never seen or met," said Frank Comito of the American Federation of Government Employees. "We don't even know for sure that they exist."



**Tomorrow:**  
What began as a high-stakes game of political poker in 1969 turned

into America's most generous welfare plan. Expanded by Congress, it now threatens the Social Security retirement fund and increases the federal deficit.



## SPECIAL REPORT

## America's most wanted welfare plan

*Congress risks a repeat of past mistakes on disability*

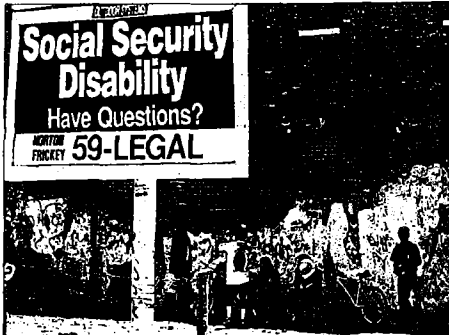
By Jim Haas  
and John B. O'Donnell  
Sun Staff Writers

House Speaker Newt Gingrich calls it a "sick" federal welfare program that needs a strong dose of Republican medicine. And there can be little dispute that Social Security's \$65 billion disability plan is out of control. Equally clear is that it won't respond to quick cure.

In a recent interview with *The Sun*, the leader of the new Republican majority said he saw the program as a classic example of government killing initiative and encouraging bad habits, destructive lifestyles and dishonesty — at great cost to taxpayers.

As this article has shown, the program has turned many children and adults with mild disabilities into virtual wards of the government. And given drug addicts cash that they have used to kill themselves. It has undercut the work ethic of new immigrants and spawned a seedy industry of "middle men" who profit by getting people on the rolls.

But as a House of Representatives Ways and Means subcommittee convenes this week to examine the problem, its members would do well to abide by the words of the new Republican speaker, Henry H. Hyde, Mr. Gingrich says, in the best teacher — and the history of the federal disability program shows that ill-considered reform can backfire.



A law firm advertisement told old on Denver's old row. "When lawyers are this interested in a federal program, it's a good bet that it's out of control," says Bob Cote, who runs a nearby halfway house.

The last man who tried to fix it was President Ronald Reagan. His effort to save taxpayers \$3.4 billion by slashing the rolls did much to bring on the current crisis.

When Mr. Reagan took office in 1981, the program was already a shambles.

The General Accounting Office had just reported that almost 600,000 people were getting \$2 billion a year in disability checks that they didn't deserve. Social Security had admitted making another \$1 billion in overpayments because of com-

puter problems.

"Everybody knew that Social Security was making disability errors like mad," said Bert Van Engel, a former agency official.

"The law of averages would indicate that we were probably giving out checks to a lot of people who didn't deserve them," added former Social Security Commissioner Robert M. Ball.

"But that was the will of Congress."

What Congress had done was to order the agency to absorb 3 million people who were collecting state disability checks into a new federal program for the elderly and disabled poor called

Supplemental Security Income — whether or not they qualified under federal rules.

Congress went on to declare that whole classes of new applicants with certain handicaps could automatically qualify if they chose not to work. It also forbade Social Security from considering certain forms of income in determining whether they were poor enough to get aid.

In 1980, the nation's lawmakers did an about-face and ordered Social Security to check existing recipients to make sure they were qualified. Then gave it 18 months

See HISTORY, 1A6

**THE  
DISABLING  
OF AMERICA**

Lost in a morass

## Disability teeters on political seesaw

From JA

to gear up for the job. That wasn't soon enough for Mr. Reagan.

He went after the program with a vengeance in 1981.

The president ordered Social Security to immediately review more than 1 million case files for signs of irregularities or fraud — a job that would entail 1,400 worker years of extra labor, or a full month if the agency ceased all other operations. He then began cutting 20,000 employees.

Something had to give.

For starters, new applicants would have to wait while the agency investigated current recipients. The backlog of new claims grew to more than 500,000.

Some 1.4 million old case files were pulled into the agency's offices and evaluated to determine

if the recipients suffered from disabilities that theoretically should have improved.

Without face-to-face interviews, medical exams or any attempt to contact the recipients' doctors, the purge began in the spring of 1981.

"Benefits for thousands of claimants were ceased... without a hearing," wrote Judge Christine M. Moore in an American Bar Association report last summer. "In so doing, the agency chose to largely ignore the law."

An eruption of lawsuits followed — hundreds of thousands of appeals, dozens of class-action suits, box loads of reapplications. So furious was the legal assault that lawyers were copying the lawsuits of other lawyers, complete with the same typographical errors — and advertising for clients on billboards and TV.

"The worst thing Reagan did to this country was trying to shut down these entitlements by doing it wrong," Judge Moore said in an interview. "The attorneys swooped in."

The poor, elderly and handicapped rallied around the disability program, coalescing into a powerful and sympathetic lobbying force. Stories broke out in the media as thousands of truly needy people were hit by the Reagan ax — including a Vietnam veteran who had received a Medal of Honor from the president.

"What are we doing?" Mr. Reagan asked aides at one point. Criticized by the governors of 18

states for bringing on a disability crisis, he finally called off the purge in 1984. But the backlash was just beginning.

Of the 600,000 people who were thrown off the rolls, half got their benefits back at a cost of untold millions in legal and administrative expense to U.S. taxpayers. In opinion after opinion, courts found flaws in the disability law and in Social Security's policy manuals — striking down paper roadblocks that had kept thousands of applicants off the rolls.

The case of Brian Zebky, a 5-year-old who was cut off despite numerous ailments, wound up before the U.S. Supreme Court. It ruled that Social Security's eligibility rules for children had to be rewritten and that a half-million applicants who had been denied benefits had to be re-evaluated.

This decision alone triggered \$1.4 billion in back payments — including lump sum checks to some families of \$20,000 or more.

"Congress went crazy," said former Social Security Commissioner Louis F. Edfelt.

Goaded by a roar of constituent complaints about the Reagan purge, Republicans and Democrats checkmated the president with the Social Security Reform Act and the Deficit Reduction Act of 1984.

The two laws contained at least a half-dozen provisions that made it easier to get

on SSI and harder to get thrown off. Most important, the Reform Act broadened the definition of what constituted a "mental disability" and allowed 1 million successful applications over the next seven years.

Today, mental illness is the No. 1 claim of applicants and the primary diagnosis for one-third of the 5 million disabled on SSI.

Further, Congress had long ago decreed that the generous rules it had approved for SSI should also apply to another Social Security program called Disability Insurance, which allows workers to draw early from their contributions to the retirement trust fund if they become disabled.

And, in an effort to hold down the growth of SSI, which is paid for through taxes, Social Security has been steering qualified applicants into the DI trust fund for years.

In a 1992 report that went largely unnoticed, the



When President Reagan went after disability fraud in 1981, 800,000 were cut from the rolls without hearings or medical exams — prompting a backlash of lawsuits.



BARBARA HADDOCK/THE NEW YORK TIMES PHOTO

When Congress created SSI, it thought it was just taking over state programs, said Robert M. Ball, then-Commissioner of Social Security.

Congressional Research Service warned that this encroachment was jeopardizing the Social Security Retirement Fund — the keystone of retirement planning for most Americans. The report went on to cite mismanagement, loose ties and free-wheeling legislating by Congress as contributing causes of the crisis.

The Reagan attempt to tame the program and the counter-attack it now illustrates a cycle that has been apparent for more than a decade. Members of Congress pass bipartisan laws opening up the program to make it easier for their constituents to get in, only to lamp down again to mollify middle-class voters who are paying the bills.

With few exceptions, these measures have come immediately before or during elections. "Politicians on both sides of the aisle have used the program as a cry issue for years — to say, 'Look at me voters! I'm getting tough on fraud' or 'See how compassionate I am!'" said Susan Galbraith, a legal aid lobbyist. "All the while, they are pushing it to the brink."

The Reagan purge and the constant whipsawing by Congress have brought on a profound and lasting crisis at the Social Security Administration.

Headed by 12 commissioners in 20 years, it has been adrift in a political muddle with no consistent leadership or guiding philosophy. A



BARBARA HADDOCK/THE NEW YORK TIMES PHOTO

"Politicians on both sides of the aisle have used [SSI] as a sexy issue for years," says Susan Galbraith of the Legal Action Center.

time line of key decisions and events in the agency's history reveals a chain reaction of accidents and unforeseen consequences.

Today, poor people and injured workers are caught up in a backlog of new claims so severe that it can take more than a year for the agency to get help to them.

Meanwhile, thousands of underserving recipients remain on the rolls because Social Security has all but ceased to check on them to

see if they are still disabled. According to the most conservative estimates, the agency is paying out \$150 million a year to people who no longer need it.

In the past five years, SSI has doubled in cost and is expected to grow by another 50 percent by 1999. The cost of the DI program will do likewise. The two combined are projected to cost more than \$96 billion a year by the turn of the century.

This year alone, disability aid

will consume enough in taxes and retirement trust money to run 30 cities the size of Baltimore, build 18 nuclear aircraft carriers or provide a four-year education at Harvard University for almost every child in the state of Maryland in grades K through 12.

Cutting this \$65 billion behemoth will be a venture fraught with risk. Simple tinkering will invite charges of political cowardice.

Recalling a recent visit to his home district in Georgia, Mr. Gingrich said, "I had 20 kids in wheelchairs in the last town hall meeting because their association had called and said, 'Congressman Gingrich is going to zero out your funding.' This has to be handled sensitively."

So far, House Republicans have scheduled only two days of hearings. And some members are already calling for deep cuts in funding to children, addicts and immigrants.

To Mr. Ball, Social Security's elder statesman, it sounds like history repeating itself.

"The real problem all along has been that if you don't get the rules right from the beginning, you get this constant overreaction by Congress," he said. "It's a seesaw effect. They rock back and forth between being too strict for a couple of years, then too liberal for a couple more."

"There is no consistency. That has been the history."

# SPECIAL REPORT THE DISABLING OF AMERICA

## Who's in charge of this program?

Year by year, the costs in billions of Social Security's disability programs have soared. Here is a time line of the events and decisions propelling that growth.

	<b>1968</b>	<b>1972</b>	<b>1976</b>	<b>1980</b>	<b>1981</b>	<b>1983</b>
	<p>Congress kills Nixon's welfare plan for families, but passes crucial 16 pages that create a broad cash assistance program for the elderly and disabled poor who can't work. It eliminates 1,000 jobs to support the program. Congress makes little of the fact that low-level aides have inserted language making drug addicts, children and immigrants eligible.</p>	<p>Social Security Commissioner Robert M. Ball asks congressional leaders to delay program, but is ignored. In 14 months, his agency must hire and train 15,000 new workers, write 100 complex communications net.</p>	<p>Social Security admits it has made \$1 billion in occupancy errors. Ronald Reagan makes Carter administration. Money will never be recovered.</p>	<p>Alarmed at growth, Congress orders a review of recipients. Ronald Reagan makes Carter administration for failing to control health care. The General Accounting Office says \$84,000 get benefits may be getting checks for \$2 billion a year. 11 million immigrants are on their way, driven by generous rules passed by Congress. Some 700,000 alien and refugees will find their way onto SSI.</p>	<p>Under orders from President Reagan, Social Security begins to purge 600,000 disability aid recipients — triggering a rash of lawsuits. On appeal, 300,000 get benefits back. Court rebuke sends Social Security issue to Congress. Social Security issue to Congress.</p>	<p>Ben Ziskind, 5, of autism, is removed from rolls despite disabilities. Case goes to U.S. Supreme Court, which rules that Social Security's disability rules for children are unconstitutional. Court orders agency to rewrite them. Under new rules, Social Security grants \$1.4 billion in retroactive payments to 134,000 children denied benefits.</p>
			<b>\$13.8</b>	<b>\$20.7</b>	<b>\$23.4</b>	<b>\$25.5</b>
	<b>\$8.1</b>					

# DEPENDENCE: THE DISABLING OF AMERICA

**\$85.8**

Reacting to public outcry and criticism from 18 governors, Reagan ends the purge. Congress adopts bipartisan "reform" legislation making it easier to get checks and harder for Social Security to cut them off, orders relaxation of mental disability rules. A million "mentally disabled" people begin to pour into SSI.

Congress orders Social Security to seek out the homeless, many of them addicts and alcoholics, and invite them to apply for checks. The agency begins a \$27.5 million "national" outreach campaign to encourage applications. By the end of the year, 4.5 million people are collecting benefits.

Social Security issues a new list of mental symptoms that qualify for benefits under 1984 Reform Act. More than 800,000 children will come onto rolls over the next five years — equaling number who won benefits in previous 16 years. Mental disorders become No. 1 disability of adults and children. By year's end, 4.9 million people are drawing checks.

Unnoticed by Congress, at least 14 states begin to shut down adult welfare programs and dump recipients onto federal disability rolls. Maryland pays a private firm \$3.2 million a year to run people through application process.

Congressional Research Service warns that the Retirement Trust Fund, on which millions rely is threatened by easier access to disability programs. Some SSI applicants are being steered into a program for disabled workers called Disability Insurance that is paid for by the trust. Social Security begins to corner. Committee member Gwendolyn King orders workers' expenditure approvals. 5.6 million are on the rolls.

GAO warns that disability caseworkers are overworked and suffering burnout. A million applications are backlogged. Case reviews ordered by Congress in 1980 to be sure recipients are still disabled have all but stopped. The agency has absorbed six budget cuts and the loss of 20,000 employees in a decade. By year's end, nearly 6 million draw SSI checks.

Reports reach Washington that addicts and alcoholics are using disability checks to buy drugs and alcohol. Congress lashes out at Social Security for failing to supervise them and steer them into treatment, but has refused to provide funding. Congress orders the agency to cut addicts off after three years, but most will stay on the rolls because they have ailments beyond addiction.

A new Republican majority in Congress gears up for new hearings starting Friday, vowing to slash checks to addicts, children and aliens. Social Security braces for new orders and a surge of lawsuits. Legal challenges by substance abusers are expected to cost more than \$40 million. Number of people drawing SSI checks is 6.3 million. Number on DI reaches 5 million. Total cost: \$5 billion.

## Voices for change

"It's clear to me that this program is out of control and badly in need of reform. ... To what extent do we redefine what is truly, severely disabled? Then the question is, do we take the next step and replace cash benefits with available services for those (children who qualify)?"

**Rep. Jim Leary, R-La.,**  
**Rep. Jim Leary, R-La.,**  
 Means Subcommittee on Human Resources

While there may be problems and the system should be shored up, an all-out attack is simply irresponsible. The Social Security has the cart so far out in front of the horse that they can't even see it. They started handing out checks to junkies and drunks before they had anything set up to make sure they weren't blowing the money, I say, out them all off until Social Security gets its act together.

**Rep. E. Clay Shaw Jr., R-Fla.,** chairman, House Ways and Means Subcommittee on Human Resources

All we're doing now is killing people.

**Bob Cole,**  
 director of Step 13, a Denver halfway house for addicts

It is hard to imagine a more destructive policy than providing monthly checks to drug addicts and alcoholics. ... Paying people because they are addicted to drugs or alcohol is absolutely nuts, and this has to change. We should try to provide treatment, but we should not hand out cash to addicts.

**Rep. E. Clay Shaw Jr., R-Fla.,** chairman, House Ways and Means Subcommittee on Human Resources

I know [cutting benefits] sounds great to the taxpayer

who's fed up with these horror stories about addicts abusing their disability checks. But what the media don't tell you is that most of these so-called addicts are retarded, mentally ill or handicapped in some other way. They need treatment. It's cheaper than prison.

**Susan Galbreath,**  
 legal aid lobbyist

A more reasoned approach [to addicts and alcoholics] would tie in the loss of benefits to willful refusal to accept treatment — until we get to the point ... where we can assure people who need treatment that they can get it.

**Rep. E. Clay Shaw Jr., R-Fla.,** chairman, House Ways and Means Subcommittee on Human Resources

There is an opportunity here to incorporate SSI with welfare reform. SSI should be state-administered and linked to welfare. ... Keep the federal

No one believes that a parent should receive cash based solely on the fact that their child is disabled. They should receive the medical services and rehabilitation services they need.

**Martha Jane Gorman,**  
 director of special education, Bozler City, La.

Give the children stipends for doing well. I hate to see money spent crazily, but that would be better than what we are doing now.

**Ray Owens,**  
 school psychologist, Morehouse Parish, La.

If the child needs therapy, the school should receive the money for therapy. Vouchers

might be good — give vouchers for the service they need.

**Susan Patton,**  
 nurse practitioner in Forrest City, Ark.

You give me a book of food stamps and I can go somewhere and sell them. You could take a voucher and mis-use it. Vouchers are not going to help because people are going to sell them.

**Alberta Jones,**  
 mother of 3 SSI recipients in Ruston, La.

There is an opportunity here to incorporate SSI with welfare reform. SSI should be state-administered and linked to welfare. ... Keep the federal

funding but maybe have some type of cap. At the local level, they know better how to do all this.

**Dorcas Hardy,**  
 Social Security commissioner, 1986-1989

We should ensure that severely disabled children are given the help they need to maximize their chances of becoming self-supporting. But we also have to restructure the way benefits are provided and remove current disincentives for parents to get these children to treatment they need.

**Rep. Gerald D. Kleczka, D-Wis.,**  
 member, House Ways and Means Committee





Chairman SHAW. On the second panel, we have Penny Young, Kate Michelman, Cliff Johnson, David Liederman, and Peter Ferrara. If all of you would come sit at the desk, we will proceed.

Again, for the benefit of those that were not in the room, this morning we have 70 witnesses and we are going to strictly enforce the 5-minute rule for Members, as well as our guests who are testifying. All of your complete statements as submitted to this Committee will be made part of the record. You may summarize or proceed as you see fit.

Our first witness will be Penny Young, who is legislative director of the Concerned Women for America.

Ms. Young.

**STATEMENT OF PENNY YOUNG, LEGISLATIVE DIRECTOR,  
CONCERNED WOMEN FOR AMERICA**

Ms. YOUNG. Mr. Chairman and Members of the Committee, thank you for the opportunity to address you today. My name is Penny Young, and I am legislative director for Concerned Women for America.

I am here to testify on behalf of Dr. Beverly LaHaye, the president of CWA, and over 600,000 members nationwide. I appear before you today as someone that is not only a representative of CWA, but also as someone who is personally concerned for the 30 million Americans trapped by dependency on welfare.

I spend time weekly as a volunteer mentor to adolescent girls in inner-city Washington. I have also had inner-city experience with the organizations Strategies to Elevate People and Urban Young Life, an organization that ministers to inner-city teens.

I have come to know and love many of these children personally. The devastating effects of welfare in their lives is clear. They live in a culture where out-of-wedlock pregnancy is commonplace and a two-parent home is the exception. These children know few peers who are supported by their fathers. Most take for granted a monthly welfare check and cannot even comprehend a life of self-sufficiency.

Fathers are found nowhere in the children's lives, because the government has paid them not to be there. Illegitimacy is one of the most serious problems facing our country today. We now have a Nation of children who have never experienced a traditional two-parent home.

Children without fathers, especially young boys, suffer greatly and profoundly in many ways. They are six times more likely to stay poor, they more than likely have behavioral problems, commit suicide, become sexually active as teenagers, use drugs, have learning problems, and become a victim or engage in crime.

Finally, children in the welfare system are three times more likely to stay on welfare than other children when they become adults, and that is where we have a bitter cycle of welfare dependency and helplessness. If this system does not punish children, then what does?

Concerned Women for America proposes a two-pronged approach to the overwhelming problem. The government must step back and then allow citizens to step forward.

To begin, government must cap the growth of welfare and other spending. CWA supports the family cap, in which government stops encouraging illegitimacy and subsidizing bad choices. CWA supports block grants to the States to be used in a morally sound and wise manner. Block grants can be used for specific services, such as adoption services, abstinence education, maternity homes and in aid of individual situations best understood at the State level and where accountability is possible. CWA opposes the government funding for abortion.

CWA also strongly supports child support enforcement and paternity establishment as a requirement for receiving welfare funds. Paternity has not been established for nearly 30 percent of the children on the welfare rolls. Society must demand that fathers shoulder the responsibility for their children. Uncle Sam's meager attempts at fatherhood have only created a society in which young men escape their responsibility of fatherhood and often fall into a world of joblessness or drug use or crime.

Work requirements must also be enforced. Able-bodied men and women must either pay to support their families or be required to do 40 hours per week of community service in return for government support for their children. Government should phase in work requirements or community service for all able-bodied nonelderly worker welfare recipients, except mothers of preschool children.

Finally, as the cornerstone of a healthy future, government should work to encourage marriage, not undermine it. Welfare penalizes low-income parents for marriage. However, marriage is the best legal institution to protect and nurture men, women and children. Government should offer an incentive to marriage with a tax credit to parents.

Now, the second part of reform: It is time to give the freedom and incentive for private citizens, churches and community groups to step forward and take on the responsibility of combating poverty. Historically, the modest successful attempts to restore individuals to contributing members of society has been accomplished through social institutions. These social institutions are crucial, because only they, and not government, can address the destructive behavior that sometimes traps individuals in poverty.

Dr. Marvin Olasky contends that the successful social reformers of the 19th century understood that "true philanthropy must take into account spiritual, as well as physical needs." Government cannot meet the spiritual needs of the population, but individuals can. CWA volunteers throughout this country are involved in ministry to families in crisis.

Research by Dr. Richard Freeman of Harvard University showed that black inner-city youth who have religious values are 47 percent less likely to drop out of school, use drugs, or engage in crime. He also found that they are less likely to become sexually active as teens.

CWA believes that it is time for a clarion call to intercession from private institutions across the Nation. We can no longer look to government as the great provider. My colleagues on the other side will tell you that they want welfare reform. But if you listen closely, they simply want more welfare. Government is not the answer. What children and families in crisis really need is a relationship, not a handout.

Thank you.

[The prepared statement follows:]

Testimony of Penny Young  
Legislative Director of Concerned Women for America  
to The Committee on Ways and Means  
United States House of Representatives  
February 2, 1995

Mr. Chairman, Members of the Committee, thank you for the opportunity to address you today. My name is Penny Young and I am Legislative Director for Concerned Women for America. I am here to testify on behalf of Beverly LaHaye, President of Concerned Women for America and our 600,000 members nationwide. Thirty years ago this year, President Lyndon B. Johnson began his so-called "War on Poverty." He had intended it to be a temporary investment to help the poor become self-sufficient, saying that "the days of the dole are numbered." But five trillion dollars later, "the days of the dole" are seemingly endless, and some 30 million people still live in poverty. What began as a policy based on good intentions has failed enormously.

I appear before you today not only as a representative of CWA, but also as someone who is personally concerned for the 30 million Americans trapped by a dependency on welfare. I spend time weekly as a volunteer mentor to adolescent girls in inner-city Washington, D.C. I also have inner-city experience through organizations called Strategies to Elevate People and Urban Young Life, an organization which ministers to inner-city teens.

As I have worked with and come to know and love many of these kids personally, the devastating effects of welfare in their lives is clear. They live in a culture where out-of-wedlock pregnancy is commonplace and a two-parent home is the exception. There is no longer any stigma attached to having babies at the age of 15 or 16; it is accepted, even expected for many of these girls. These children know few peers who are supported by their fathers. Most take for granted a monthly welfare check and cannot comprehend a life of self-sufficiency.

I also saw this problem as I grew up in a rural Appalachian region of Kentucky. Although the faces were different, the problems incurred from welfare dependency were the same there as they are in inner-city Washington, D.C. Government spending on welfare in America has been enormous but its answer to poverty and illegitimacy are cheap and ill conceived.

Welfare spending is out of control. Welfare costs have risen every year except one since the mid-1960s, and, according to the Congressional Budget Office, will cost taxpayers over \$500 billion each year and ingest 6 percent of the GDP by 1998.

But welfare has not only consumed our tax dollars at an alarming rate, it has eaten away at the moral base of this country. The human cost is the greatest tragedy. While welfare appears to be a compassionate, quick-fix solution to poverty, it has created many profound new problems that have generational consequences. But there is nothing compassionate about discouraging marriage, work, and families held together by a mother and a father. No, the federal government is not the only source responsible for the current crisis of illegitimacy. However, the government has encouraged out-of-wedlock childbirth by rewarding irresponsibility, subsidizing bad choices, and penalizing marriage.

According to a 1991 study by the Department of Health and Human Services, Uncle Sam is the only "dad" known to the 57 percent of children born to single mothers on Aid to Families with Dependent Children (AFDC). And their ranks continue to swell. In America today, 30 percent of children are born to single mothers, up from 10 percent in 1970. If the current trend continues, we can expect to see 50 percent of all births out of wedlock by 2015. Fathers are found nowhere in these children's lives because the government has paid for them not to be there. President Clinton acknowledged this problem in his State of the Union address when said that illegitimacy is one of the most serious problems facing our country today.

A "big spender" welfare philosophy has cost America far more than the nearly five trillion dollar deficit alone indicates. We now have a generation of children who have never experienced a traditional two-parent home. Children without fathers (especially young boys) suffer greatly and profoundly in many ways. They are six times more likely to stay poor. They are more likely to have behavioral problems, to commit suicide, to become sexually active as teenagers, to use drugs and to have

learning problems. Research has shown that children who are raised in neighborhoods with a large number of single-parent families are far more likely to either participate in or become a victim of violent crime or burglary. And finally, children in the welfare system are three times more likely to stay on welfare than other children when they become adults. And thus we have the bitter cycle of welfare dependency and hopelessness. If this system does not punish children, then what does?

Although these statistics paint a grim picture of a cultural crisis in America, there is still hope. America does not have to continue down the same failed path. Concerned Women for America proposes a two-pronged approach to this overwhelming problem. First government must step back and then allow citizens to step forward.

To begin, government must cap the growth of welfare and other spending. CWA supports the family cap in which government stops encouraging out-of-wedlock childbirths and subsidizing bad choices. Funds should instead be sent to states as block grants to be used in a morally sound and wise manner. Block grants can be used for specific services such as adoption services, abstinence education, maternity homes and in aid of individual situations best understood at the state level and where accountability is possible. CWA opposes the government funding for abortion.

CWA also strongly supports child support enforcement and paternity establishment as a requirement for receiving welfare funds, with only a few exceptions allowed. Paternity has not been established for nearly 30 percent of children on the welfare rolls. Society must demand that fathers shoulder the responsibility for their children. Uncle Sam's meager attempts at fatherhood have only created a society in which young men escape their responsibility as father and breadwinner and enter a world of joblessness, drug use and crime.

Not only must paternity be established, but work requirements must be enforced. Able-bodied men must either pay to support their families or be required to do 40 hours per week of community service in return for government support for their children. Government should also phase in work requirements or community service for all able-bodied, non-elderly welfare recipients, except for mothers of pre-school children.

And finally, as the cornerstone to a healthy future, government should work to encourage marriage, not undermine it. Welfare has transformed marriage from a legal institution designed to protect and nurture children into a decision that penalizes low-income parents. Government should offer as an incentive to marriage a tax credit to parents. This tax credit would compliment steps the government has already taken in expansion of the Earned Income tax Credit (EITC) in situations where a mother marries a low-income working man.

Now the second part of reform. After the government steps back, it is time to give the freedom and incentive for private citizens, churches, community groups to step forward and take on the responsibility of combatting poverty. Historically the most successful attempts to restore individuals into contributing members of society have been accomplished through social institutions. These social institutions are crucial because only they can address the improper behavior that often traps individuals in poverty.

Dr. Marvin Olasky of the University of Texas contends that successful social reformers of the 19th Century understood that "true philanthropy must take into account spiritual as well as physical needs." Government cannot and should not attempt to meet the spiritual needs of the population. But individuals can. As individuals, CWA volunteers throughout the country are involved in ministry to America's poor. They work through churches, societies and one-on-one. For it is the churches and the loving volunteers that are America's best weapon against out-of-wedlock pregnancy and family disintegration.

Research by Dr. Richard Freeman of Harvard University showed that black inner-city youth who have religious values are 47 percent less likely to drop out of school, 54 percent less likely to use drugs and 50 percent less likely to engage in crime. He also found that they are far less likely to become sexually active as teens which attacks the root cause of illegitimacy.

CWA believes that it is time for a clarion call to intercession from private institutions all across the nation. We can no longer look to government as the great provider. As we embrace the need for governmental reforms so should there be private reform in the hearts of individuals. President Clinton reminded us recently of the story of the Good Samaritan who personally cared for his neighbors wounds. In fact all major religions teach the importance of personal service and charity. The church will not battle the government for control over welfare; it is up to the government to get out of the way. Then churches will step forward to provide real hope for the poor and neglected as they have always done. It is time for Americans to become personally involved with society's ills and CWA steps forward to join that call.

Members of the Committee, for your part, the women and men of CWA want public policies that undermine and erode the family to stop. Millions of voters spoke out loudly on November 4th. We want you to keep your promises.

Chairman SHAW. Thank you, Ms. Young.

Our next speaker is Kate Michelman, who is president of the National Abortion and Reproductive Rights Action League.

Ms. Michelman.

**STATEMENT OF KATE MICHELMAN, PRESIDENT, NATIONAL ABORTION AND REPRODUCTIVE RIGHTS ACTION LEAGUE**

Ms. MICHELMAN. Thank you, Mr. Chairman. I appreciate the opportunity to testify today.

I recognize the compelling need for comprehensive welfare reform that helps women make responsible and deliberate decisions about childbearing, rewards and encourages economic self-sufficiency, and helps to reduce teenage pregnancy. However, the proposal to deny women additional support if they have children while receiving public assistance would be a tragic mistake.

This policy would punish children already in desperate poverty, infringe on women's liberty and do little to address the underlying causes of poverty and unintended pregnancy, and leave some women with no choice but to have an abortion.

Women must not only have access to safe and legal abortion, but also have the means to prevent unintended pregnancy, to bear healthy children and to plan for their family's future. Policies that lead some women to choose an abortion they do not want would be the antithesis of what we should be trying to achieve as a Nation. We should be pursuing policies that elevate the value of childbearing to a much higher level and help make every pregnancy a wanted pregnancy. This will enhance women's ability to take personal responsibility for their own and their families' futures.

I speak to you today as both an advocate of women's rights to reproductive choice and as a woman who once depended on public assistance. With three small children, I was abandoned by my husband. I was left completely and utterly without support. In order to save my family, I was forced onto welfare. Government assistance allowed me to put food on the table for my children and to begin to piece my life back together.

The welfare system indeed needs to be reformed, but it must afford women dignity and encouragement and opportunity, not inflict punishment and pain.

Shortly after my husband left me and my family, I discovered that I was pregnant. After much difficult soul searching, I chose to have an abortion. Another woman in my position might have decided to continue her pregnancy. That woman and her children should not be punished because she makes that choice today.

Like most Americans, I am very concerned about teenage pregnancy and the need for more responsible sexual and reproductive behavior. But with one-quarter of children under age 6 living in poverty, we must not punish them further in the name of reform. With AFDC providing women only a bare minimum on which to live, we must not drive mothers and children further into poverty.

Nearly 60 percent of all pregnancies in this Nation are unplanned, a crisis as deserving of attention as the welfare system. Meaningful reform will help reduce that number of unplanned pregnancies and the need for abortion by increasing the desire for and access to contraception, family planning services and preg-

nancy programs, so that women can achieve healthy planned families.

It is equally important that women who choose to terminate a pregnancy have better access to abortion services. Meaningful reform also will help women take control of their lives and move out of poverty. Job training and job placement, educational opportunities, prenatal care, child care, nutrition programs and much more vigorous enforcement of child support laws and orders will help women achieve economic independence and ensure that children stay healthy.

But the Personal Responsibility Act pays inadequate attention to these urgent solutions. Our Nation's policies must not place women in an untenable bind. A compassionate government should not deny low-income women the option of abortion, force them into childbirth, and then cut off assistance for the children they bear. These policies could cause some women to have abortions they do not want, which is just as immoral and wrong as denying women access to abortion services.

I was fortunate to have been able to overcome that crisis in my life, to get off welfare and to rebuild my own life and my family's future. That is what most women who receive public assistance seek to achieve for themselves and their families. I ask you to support the programs that will help women attain economic independence and to reject punitive policies like child exclusion laws that come at the expense of women's dignity and the health and well-being of their children.

Thank you.

Chairman SHAW. Thank you, Ms. Michelman.

The next speaker will be Cliff Johnson, who is director of programs and policy at the Children's Defense Fund.

Mr. Johnson.

**STATEMENT OF CLIFFORD M. JOHNSON, DIRECTOR,  
PROGRAMS AND POLICY, CHILDREN'S DEFENSE FUND**

Mr. JOHNSON. Good morning, Mr. Chairman and Members of the Subcommittee.

CDF welcomes the opportunity this morning to offer our suggestions on how the welfare system can be reformed to respond more effectively to the needs of those it was first established to assist, America's poorest and most vulnerable children.

The American people now understand most of the key policy choices before you and have clear views on how we must proceed. The public's goals are practical. They want families to move from welfare to work. Their demands are realistic. They understand that it will take at least the same resources as we now spend to enable parents to make a stable entry into the work force. They want reasonably enough to feel confident that these dollars are spent effectively. They do not want to cut children off without any chance of support, and they do not want to separate children from their families for reasons of poverty alone.

The American people know that children—who represent two-thirds of all welfare recipients—easily could be hurt by reforms that are intended to punish or to alter the behavior of their parents. That is why poll after poll presents a portrait of Americans



struggling to strike a careful balance in welfare reform, a balance that makes major changes in how welfare works, while still insuring that it protects the next generation from severe deprivation.

Some of the concerns expressed by Majority Members of this Subcommittee clearly have struck a chord. We do need to rethink how government responds to the needs of the small, but, nonetheless, deeply troubling minority of young teenagers who bear children out of wedlock while they are still children themselves.

Similarly, we should find ways of building enough flexibility into the welfare system so that it can provide transitional help to a large majority of families who move quickly off the rolls, while also ensuring that less skilled parents and more troubled families do not become mired in the system for years and years. Paying attention to how the welfare system treats teen parents and long-term recipients makes sense.

But withdrawing the assurance that help will be available when it is needed by desperately poor families with children is a change that the public neither seeks nor wants. If we abandon this fundamental commitment to aid the weak in times of need, regardless of where they live, we lose the moral anchor on which we stake our claim to be a decent, civilized and enlightened society.

The Federal Government for decades has assured the availability of adequate funds for key child survival programs, because the consequences of not doing so, including widespread destitution, hunger, homelessness, illness, abuse and neglect, are unthinkable.

If the Subcommittee is prepared to withdraw this assurance of help by repealing the basic entitlement to AFDC and food stamps, you must be prepared to answer the most basic question: Under what circumstances do you believe it is acceptable and appropriate to turn away a mother and a child from a city or a county welfare office, if they have no other means of support? Should that happen simply because a recession has pushed more families onto the welfare rolls, or because their personal misfortune has struck too late in a fiscal year? Should it happen simply because the State or county has chosen not to provide certain benefits in certain regions or to certain groups?

The loss of entitlement status poses great risk to children and to families. For example, if block grants had stripped AFDC and food stamps of their entitlement status in fiscal year 1988, by fiscal year 1993, States would have had almost \$17 billion less to spend on these child survival programs than they actually received from the Federal Government, a loss of 42 percent. Some States would have lost proportionately more. The State of Florida, for example, would have lost \$1.3 billion, a 67-percent loss in Federal funding. You will find a complete State-by-State analysis of these losses attached to my written statement.

Most Governors and State legislative leaders will not want to deny help to otherwise destitute mothers. But if you impose a block grant without the basic entitlement for AFDC and food stamps, the only flexibility they may be left with will be the flexibility to decide which families are turned away and which children are placed in grave jeopardy by the loss of economic support.

It is possible to give States more flexibility to experiment with programs that move parents from welfare to work, without taking

the deeply troubling step of breaking our promise to protect poor children.

In a very literal sense, Mr. Chairman, the lives of millions of our poorest children are in your hands, as the Subcommittee turns to this task of welfare reform. We urge you to help families receiving welfare to make the transition to work, not to undermine these efforts by repealing the entitlement status of AFDC or food stamps, or by imposing rigid mandates on States that can only impoverish further millions of desperately poor children.

Thank you. I would be happy to answer any questions.

[The prepared statement and attachments follow:]

TESTIMONY OF CLIFFORD M. JOHNSON  
CHILDREN'S DEFENSE FUND

I am Cliff Johnson, Director of Programs and Policy for the Children's Defense Fund. CDF is a privately funded research and advocacy organization dedicated to providing a strong and effective voice for children, especially poor and minority children and their families. We welcome the opportunity to appear before the Subcommittee this morning to offer our suggestions on how the welfare system can be reformed to respond more effectively to the needs of those it was first established to assist -- America's poorest and most vulnerable children.

It is time to reform the welfare system. The American people now understand most of the key policy choices before the Congress and have clear views on how we must proceed. The public's goals are practical -- they want families to move from welfare to work. Their demands are realistic -- they understand that it will take at least the same (or perhaps greater) resources as we now spend to enable parents to make a stable entry into the labor force. They want, reasonably enough, to feel confident that these dollars are spent effectively. They do not want to cut children off without any chance of support. And they do not want to separate children from their families for reasons of poverty alone.

The American people know that children -- who represent two-thirds of all welfare (AFDC) recipients -- easily could be hurt by reforms that are intended to punish or alter the behavior of their parents. That is why poll after poll presents a portrait of Americans struggling to strike a careful balance in welfare reform, a balance that makes major changes in how welfare works while still ensuring that it protects the next generation from severe deprivation. There is little support for radical or reckless changes from either the Left or the Right -- what the American people want is some common sense and a reasonable middle ground.

My hope this morning is that you will pause with me for a moment to consider whether the agenda this Subcommittee appears on the verge of pursuing -- one that includes elimination of AFDC's entitlement status and the imposition of sweeping new mandates on states in highly controversial areas such as teenage childbearing, paternity establishment, and absolute time limits -- is consistent with the strongly held values and beliefs of voters and the broader public. **Withdrawing the assurance that help will be available when it is needed by desperately poor families with children is a change that the public neither seeks nor wants.** If we abandon this fundamental commitment to aid the weak in times of need, regardless of where they live, we lose the moral anchor on which we stake our claim to be a decent, civilized, and enlightened society.

Some of the concerns expressed by majority members of this Subcommittee clearly have struck a chord in several key areas. We do need to rethink how government responds to the needs of the small but nonetheless deeply troubling minority of young teenagers who bear children out of wedlock while they are still children themselves. Similarly, we should find ways of building enough flexibility into the welfare system so that it can provide transitional help to the large majority of families who move quickly off the rolls while also ensuring that less skilled parents or more troubled families do not become mired in the system for years and years. Paying attention to how the welfare system treats teen parents and long-term recipients makes sense.

At the same time, however, we must all be careful not to mislead the public and thereby fuel their distrust or cynicism regarding decisions made in Washington. For example, when only one percent of all parents now receiving AFDC -- fewer than 50,000 out of 5 million nationwide -- are teens younger than 18 and many of those teen parents are living in stable and secure family situations, it is both dangerous and wrong to invoke images of 13-year-old girls throwing their babies in dumpsters as justification for wholesale changes in our welfare system. By all means, let's roll up our sleeves and hammer out workable solutions in areas such as teen pregnancy. But **we will do irreparable harm to millions of poor children and families all across the country if we engage in the political equivalent of unscrupulous "bait and switch" sales tactics, talking about small segments of the AFDC population while pursuing policy changes such as lifetime denial of aid to children born to teen parents or the more sweeping elimination of AFDC's entitlement status that reach far beyond these groups.**

CDF strongly supports practical steps to enable parents to enter work and stay there -- child care, health coverage, financial work incentives, and education and training. We understand that these investments in work and self-sufficiency often are expensive but we believe that they also are essential if we are realistically to move parents receiving AFDC from welfare to work. CDF also believes that fairly structured requirements and reciprocal obligations are an appropriate and useful means of striking a balance between compassion and personal responsibility in the welfare system. But we oppose proposals that punish parents who "play by the rules," simply force poor families off the welfare rolls even when parents are willing to work but jobs are not available, or push children deeper into poverty because of past mistakes by their parents.

#### **Why AFDC's Entitlement Status Matters to Children and to States**

The federal government for decades has assured the availability of adequate funds for key child survival programs such as AFDC and food stamps because the consequences of not doing so -- widespread childhood destitution, hunger, homelessness, illness, abuse, and neglect -- are unthinkable. If the Subcommittee is prepared to withdraw this assurance of help by repealing the entitlement to AFDC and food stamps, you must be prepared to answer the most basic question: **Under what circumstances do you believe it is acceptable and appropriate to turn away a mother and child with no other means of support from a county or city welfare office?** For example:

- Should a mother and child be turned away simply because a recession pushed more families on to the welfare rolls and available federal funds for AFDC or food stamps had been exhausted?
- Should a mother and child be denied help simply because their personal misfortune struck too late in the fiscal year?
- Should a mother and child be left without income support simply because a state or county chose not to provide AFDC or food stamp benefits in particular regions, communities, or neighborhoods or to specific groups of families?

The only way in which the elimination of the AFDC and food stamp entitlements will reduce federal expenditures is if some currently eligible families with children are denied help. Who are these families that no longer deserve our help? And what will become of the hundreds of thousands -- or even millions -- of poor children who may lose the basic benefits upon which their very survival depends?

The loss of entitlement status also poses great risks to states. When the next economic recession or natural disaster hits and caseloads rise, states that are limited to prior year funding levels through a block grant or capped entitlement will face very painful choices: (1) eliminate assistance to some poor families, either through waiting lists or by newly defining them as ineligible; (2) cut assistance across the board for all families; or (3) add state dollars and possibly raise state taxes to make up the loss of federal funds. States will confront these choices precisely at those times when an economic downturn or other crisis depress state tax revenues and when rising joblessness leaves poor parents with even fewer opportunities in a shrinking job market.

Consider the consequences to poor children and to states if block grants had stripped the AFDC and food stamp programs of their entitlement status in FY 1988. **By FY 1993 states would have had almost \$17 billion less to spend on those programs than they actually received from the federal government -- a loss of 42 percent.**<sup>1</sup> Even if the food stamp program had been allowed to grow at the rate of inflation, states still would have seen their total federal funding through AFDC and food stamps drop by more than one-third.

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<sup>1</sup>And some states would have lost proportionately more -- the state of Florida for example would have lost \$1.3 billion, a 67 percent loss in federal funding. California would have lost \$2.6 billion, a 46 percent loss.

Assuming that states divided the cuts equally among the eligible population, typical (median) AFDC and food stamp benefits would have been reduced in FY 1993 from \$652 per month down to \$378. States might reasonably be expected to do whatever they could to minimize this precipitous drop in income (from 68 percent of the 1993 poverty line to 39 percent). Would they be forced to cut deeply into work, education and training, and child care programs -- the very tools families need to escape from welfare? Surely this is not the outcome that the Subcommittee seeks in its welfare reform efforts.

**These calculations make clear that establishment of a five percent "rainy day" fund to accompany a welfare block grant, as discussed in press reports in recent days, falls far short of resolving the problems associated with the loss of entitlement funding for AFDC and food stamps.** The 42 percent loss figure also makes clear that increased program efficiency or "administrative savings" could not possibly provide states enough money to make up for the loss of federal funds. Total federal and state costs to run the AFDC and food stamp programs are approximately 12 percent of the programs' overall expenditures. Even if these administrative costs were cut by 20 percent, total program costs would be reduced just two to three percent, a tiny share of the 42 percent loss.

Most governors and state legislative leaders will not want to deny help to otherwise destitute mothers and children. Yet with sharply reduced funding and an inability to respond adequately to rising caseloads under a block grant, the only flexibility left to states will be the flexibility to decide which families are turned away and which children are placed in grave jeopardy by the loss of basic income support.

#### Additional Concerns About Block Grants

There are a number of other reasons why converting the current AFDC and food stamp programs into a welfare block grant may not be in the best interests either of poor children or of the nation:

- **A block grant could harm states' efforts to reform the welfare system.** Many states would like to create work slots, impose work requirements, or expand child care for AFDC mothers seeking to work their way off welfare. But under block grants, states would receive fewer federal AFDC funds and be less able to ensure that recipients work. Particularly if caseloads rise and federal funds are exhausted, work-related programs may become early victims of state austerity measures.
- **A block grant could prolong and/or deepen recessions.** Entitlements serve as automatic "economic stabilizers," helping state and local economies recover from recessions. Block grants on the other hand do not provide increased federal funds during recessions and so could prolong economic downturns at national, regional or state levels.
- **Any funding formula for a welfare block grant inherently would misallocate funds among states.** Even if funding could change based on factors such as inflation or unemployment, the formula would be based on past state economic conditions -- perhaps with a time lag of many years -- and could not take into account whether the state economy had improved or deteriorated since then. States with worsening economies would receive too small a share of federal funds while states with improving economies would receive too large a share.
- **A block grant would make state budgeting more difficult.** Since congressional appropriations bills frequently are not passed until after the new fiscal year has already begun, states would have difficulty budgeting for the new year.
- **Notwithstanding any pledge by the congressional leadership this year, funding for a block grant could be slashed repeatedly in future years.** Inadequate funding during recessions as described above could be even worse than anticipated due to tightened discretionary spending caps or lower appropriations.

### Will States Always Protect Poor Children Under a Block Grant?

The federal government has a responsibility to assure that the funds it invests in basic income support for poor children and families are appropriately and well spent. There are dangers to children if the federal government abdicates this responsibility. For example, until the early 1970s, states were left to set their own income eligibility and benefit levels for food stamps, even though the program was 100 percent federally funded. Many states set very low limits and some of the poorest counties in the nation declined to operate a program at all. When national studies about child hunger shocked the nation, President Nixon put in place a set of minimum federal standards for food stamps to ensure that every state responded adequately to the needs of poor children and families.

Of course, doubts about the willingness of all states to respond to children's most basic survival needs would be even greater under a welfare block grant that reduced federal funding and left states to pay the remaining costs. In the past, even when states had to bear only a portion of total program costs, too many failed to protect children. In child support enforcement, for example, many states did not allow children born out of wedlock to pursue support from their fathers or put other major roadblocks in the way of parents seeking child support until federal standards were applied. Similarly, when states had the option to extend Medicaid to children in working poor families as well as in welfare families, only about one-third chose to do so.

### State Flexibility Can Be Increased Without Eliminating Entitlements

States can be given much of the additional flexibility block grants offer while maintaining the federal-state financing structure for AFDC. Under this alternative approach, states would retain their responsibility to provide cash assistance to all families who qualify for assistance under their state plan and the federal government would continue to share the cost of assistance to eligible families. Federal rules could be limited to those areas where there is a clear federal policy interest. In all other areas, including such diverse issues as the design and structure of work programs, the treatment of income and assets, and the development of innovative measures to reduce reliance upon welfare and enhance self-sufficiency, states would be free to establish their own rules.

**This approach to state flexibility is sharply at odds with proposed new mandates on states and counties under the Personal Responsibility Act that would deny basic cash assistance to as many as five to six million needy children.** We hope that this Subcommittee, with its interest in expanding state flexibility, will not propose new state mandates in highly controversial areas. We also question the basic fairness of many of the choices that would be imposed upon states:

- Should children and families be left without any cash help or a public service job even when the parent was willing to work but unable to find unsubsidized employment?<sup>2</sup> "Two years and off" (or five years and off) assumes that every family receiving welfare can find a job but is simply unwilling to work. Are there no depressed rural areas or inner city areas where there is a shortage of jobs? For parents willing to work but unable to find a job, what effect will denying assistance have on the children?
- Should children applying for AFDC after the bill takes effect be denied assistance when paternity is not established even when the mother is fully cooperating with efforts to

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<sup>2</sup>States would be allowed to eliminate all cash benefits to families who have received aid for two years and permanently bar such families from any future aid if the parent had participated in the work program for at least one year. After five years, states would be required to terminate permanently the family from cash assistance.

establish paternity?<sup>3</sup> Paternity is not established in many cases not because the mother fails to cooperate but because states' current child support agencies are overwhelmed. State child support agencies often fail to establish paternity even when mothers provide all the necessary information.<sup>4</sup> Should children be penalized when failure to establish paternity is the fault of an overloaded child support system?

CDF does not believe it makes sense to deny assistance to families who are doing everything that is being asked of them and "playing by the rules." In addition, we believe it is counterproductive to deny all assistance to children because of the circumstances of their birth. Proposals before the Subcommittee which would permanently bar aid to children born to mothers younger than 18 will do little to reduce out-of-wedlock childbearing, but they will do enormous harm to children. Proposals which permanently exclude children for whom paternity has not been legally established are similarly harmful, denying necessities of life during a child's critical developmental stages even when the mother cooperates fully with authorities in naming the father.

### **Conclusion**

The goal we all share in welfare reform is to move families from welfare to work. To make this effort a success, CDF urges the Subcommittee to search for ways to move forward within today's difficult budgetary constraints:

- Can we move more parents from welfare to work by increasing our investment in child care? For AFDC parents, child care allows them to increase their participation in education, training, and employment. For working poor families, child care can prevent them from falling onto welfare in the first place.
- How do we continue to recognize the importance of education and training as avenues to long-term self-sufficiency? Only half of welfare parents have a high school diploma or the equivalent. There is also clear evidence that recipients with higher skills and education have the shortest stays on welfare and are the most likely to stay off permanently. Increasing parents' skills helps them get and keep a job and support their family.
- Are there creative ways within current budgetary constraints to provide jobs for targeted groups of parents on AFDC when private sector employment simply is not available?<sup>5</sup> While job creation often is expensive, it is an essential way of affirming our belief that work is better than welfare.

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<sup>3</sup>The only exception would be in cases of rape or incest or where the state determines that establishing paternity would result in physical danger to the mother. This provision would eventually deny assistance to one out of every four children applying for AFDC.

<sup>4</sup>In Maricopa County, Arizona, a 1992 study found that the mother provided the child support agency with the name of the father in 91 percent of the cases -- often also providing valuable information such as the father's Social Security number or address, which should have enabled the agency to locate the father and establish paternity. Yet out of 353 cases in which the mother named the father, the agency established paternity in only *ten* cases. In contested cases, it took the agency 16.2 months on average to establish paternity. In Georgia, a group of welfare mothers sued the state agency because they wanted to establish paternity and the child support agency was not giving them the help they needed to do so.

<sup>5</sup>According to a study in Milwaukee, there were eight unemployed workers for every job opening in the city's poorest neighborhoods -- a number nearly six times greater than in the rest of the metropolitan area. As in the children's game of "musical chairs," there simply are not enough seats for everyone.

- What more can be done to strengthen our child support enforcement system? We welcome this Subcommittee's efforts to ensure that every child receives the support of both parents.

It is possible to give states more flexibility to experiment with programs that move parents from welfare to work without taking the deeply troubling step of breaking our promise to protect poor children. In a very literal sense, the lives of millions of the nation's poorest children are in your hands as the Subcommittee turns to the task of welfare reform. We urge you to help families receiving welfare to make the transition to work, not to undermine these efforts by repealing the entitlement status of AFDC and food stamps or by imposing rigid mandates on states that can only impoverish further millions of desperately poor children.

Thank you for the opportunity to testify this morning. I would be happy to answer any questions.



## ATTACHMENT #1

2/2/95

**Federal outlays by state for AFDC and Food Stamps, FY 1988 and FY 1993,  
and loss in FY 1993 if funding had been frozen at FY 1988 levels.**

Source: U.S. Census Bureau. Calculations by the Children's Defense Fund.

	Actual FY 88 (\$millions)	Actual FY 93 (\$millions)	Increase (\$millions)	Percent Increase	Loss in FY 93 if Frozen at FY 88	Percent Increase Above Inflation	Loss in FY 93 if Block Grant is Adjusted for Inflation
US TOTAL	\$23,850.2	\$40,780.7	\$16,930.6	71%	42%	39%	28%
Alabama	348.5	632.9	284.4	82%	45%	48%	32%
Alaska	65.0	118.9	53.9	83%	45%	49%	33%
Arizona	240.4	652.7	412.3	171%	63%	121%	55%
Arkansas	177.9	280.1	102.2	57%	37%	28%	22%
California	3,102.5	5,719.2	2,616.7	84%	46%	50%	33%
Colorado	203.2	358.7	155.5	77%	43%	44%	31%
Connecticut	189.4	372.1	182.6	96%	49%	60%	38%
Delaware	36.9	80.8	43.9	119%	54%	78%	44%
District of Columbia	92.8	170.3	77.4	83%	45%	50%	33%
Florida	659.8	1,975.8	1,316.0	199%	67%	144%	59%
Georgia	520.0	1,052.8	532.8	102%	51%	65%	39%
Hawaii	126.2	221.2	95.0	75%	43%	43%	30%
Idaho	60.4	88.6	28.3	47%	32%	20%	16%
Illinois	1,276.9	1,654.2	377.2	30%	23%	6%	5%
Indiana	218.5	616.9	398.4	182%	65%	130%	57%
Iowa	235.0	279.2	44.2	19%	16%	-3%	-3%
Kansas	142.9	250.0	107.0	75%	43%	43%	30%
Kentucky	439.8	642.7	202.8	46%	32%	19%	16%
Louisiana	628.3	852.5	224.1	36%	26%	11%	10%
Maine	118.1	202.4	84.3	71%	42%	40%	28%
Maryland	337.9	862.3	524.4	155%	61%	108%	52%
Massachusetts	497.3	812.0	314.6	63%	39%	33%	25%
Michigan	1,353.5	1,693.9	340.4	25%	20%	2%	2%
Minnesota	339.7	582.0	242.3	71%	42%	40%	28%
Mississippi	387.8	519.4	131.6	34%	25%	9%	8%
Missouri	404.8	719.7	314.9	78%	44%	45%	31%
Montana	71.9	102.1	30.3	42%	30%	16%	14%
Nebraska	102.2	165.4	63.3	62%	38%	32%	24%
Nevada	40.0	129.1	89.1	223%	69%	163%	62%
New Hampshire	23.2	88.5	65.3	282%	74%	211%	68%
New Jersey	559.1	957.7	398.7	71%	42%	40%	28%
New Mexico	150.9	351.8	200.9	133%	57%	90%	47%
New York	2,286.4	3,765.3	1,479.0	65%	39%	34%	26%
North Carolina	395.9	844.1	448.2	113%	53%	74%	42%
North Dakota	40.1	66.6	26.5	66%	40%	35%	26%
Ohio	1,353.9	1,936.4	582.5	43%	30%	17%	14%
Oklahoma	269.4	489.0	219.6	82%	45%	48%	32%
Oregon	260.7	424.8	164.2	63%	39%	33%	25%
Pennsylvania	1,111.2	1,679.0	567.8	51%	34%	23%	19%
Rhode Island	88.4	158.3	69.9	79%	44%	46%	32%
South Carolina	263.2	431.6	168.4	64%	39%	34%	25%
South Dakota	51.7	68.6	16.9	33%	25%	8%	8%
Tennessee	412.1	851.4	439.3	107%	52%	68%	41%
Texas	1,284.1	2,871.2	1,587.1	124%	55%	82%	45%
Utah	115.6	185.6	70.0	61%	38%	31%	24%
Vermont	55.0	91.4	36.4	66%	40%	35%	26%
Virginia	337.2	639.5	302.3	90%	47%	55%	35%
Washington	448.1	891.5	443.4	99%	50%	62%	38%
West Virginia	266.3	379.2	112.9	42%	30%	16%	14%
Wisconsin	559.7	585.7	26.0	5%	4%	-15%	-17%
Wyoming	31.3	56.0	24.6	79%	44%	46%	31%

**ENTITLEMENT SPENDING IS NOT "OUT OF CONTROL"**

As efforts to decrease the budget deficit move forward, we must remember that welfare spending is not the cause of the deficit problem. The AFDC program is extremely important to poor children but welfare spending is not \$300 billion per year -- contrary to the statements of some who advocate radical budget cuts. This exaggerated figure includes many programs the public clearly understands as not being welfare such as student loans, nursing home care for the elderly (Medicaid),<sup>1</sup> and the Earned Income Credit (which will provide tax benefits to working families with children whose incomes fell below \$28,600 in tax year 1996).

Additionally, entitlement spending on welfare families is a small fraction of all entitlement spending and only a part of means-tested entitlement spending. The AFDC program, including cash benefits, emergency assistance, child support enforcement, Title IV-A child care, and "At-Risk" child care, constitutes only two percent of entitlement spending and one percent of total federal spending. When food stamp and Medicaid benefits for AFDC families are added in the total rises to only three percent of overall federal spending.

- According to the Congressional Budget Office, in 1994 the federal government spent \$177 billion on means-tested entitlement programs. Spending on AFDC families totaled about 25 percent of this amount and about six percent of all entitlement spending.<sup>2</sup>
- Almost half (46 percent) of total means-tested entitlements are spent on the elderly and disabled.

Moreover, overall entitlement spending is not growing. According to the Bipartisan Commission on Entitlements, means-tested entitlements other than Medicaid will not rise at all as a percentage of the total national economy (Gross Domestic Product or GDP) after the year 2000. The latest CBO forecasts suggest they will decline a bit as a percentage of GDP. The Entitlement Commission estimates, however, that between now and 2030 that Medicare and Medicaid will climb as a percentage of GDP.<sup>3</sup> The only entitlements that are increasing substantially are Medicare and Medicaid which suggests the necessity of health care reform.

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<sup>1</sup>Actually 69 percent of Medicaid funding goes to the elderly, blind, or disabled. Only 18 percent of Medicaid funding goes to families receiving AFDC.

<sup>2</sup>These figures includes federal spending on AFDC benefits, emergency assistance, child support enforcement, Title IV-A and "At-Risk" child care, food stamp benefits for AFDC families, and Medicaid spending on AFDC families.

<sup>3</sup>Medicare will rise from 2.4 percent of GDP to 7.9 percent, and Medicaid will increase from 1.3 percent to 3.1 percent of GDP.

### WELFARE REFORM: WHAT THE PUBLIC WANTS

There is no question but that Americans want welfare reform. 45 percent favor completely replacing the current system, and 52 percent want welfare to be fixed, rather than replaced (USA Today/CNN/Gallup poll, December 2-6, 1994).

But while the public wants welfare to be changed, they do not want to leave poor children and families without any assistance. 65 percent of Americans agreed that it is government's responsibility to take care of people who can't take care of themselves (New York Times/CBS News Poll, December 6-9, 1994). Even after a political campaign season characterized by unabated attacks on welfare, 56 percent opposed ending payments to unmarried mothers, and 60 percent opposed ending payments to the children of unmarried mothers (USA Today/CNN/Gallup). In fact, fewer people wanted to reduce tax dollars going to welfare

The public takes a commonsense approach to welfare reform. They want adult recipients to work, but they understand that tools such as education and child care are necessary for that to happen, and don't want to leave families stranded if they cannot find employment. 87 percent agreed that the government should create work programs for people on welfare and require participation (New York Times/CBS News Poll). But they do not believe that families should be cut off from all assistance after a limited time period if they are willing to continue to work. 71 percent want them to continue receiving benefits (New York Times/CBS News Poll). 73 percent would be upset if new limits on welfare cut off benefits to poor families even when no work is available (Newsweek Poll, December 27-28, 1994). They strongly support government's responsibility to eliminate poverty: 80 percent share that belief now (Center for Study of Policy Attitudes, October, 1994), compared to 70 percent in a 1964 Gallup poll. They understand that we cannot eliminate poverty without spending money. 70 percent would increase federal spending on poor children, and another 20 percent would keep spending the same as now (Center for Study of Policy Attitudes). When asked, "Should welfare reform start saving taxpayers money immediately, or is it more important to train welfare recipients for jobs, which means the government would spend more money in the short run?" 69 percent were willing to spend more, and only 24 percent were looking for immediate savings (Time/CNN, December 7-8, 1994). An overwhelming 92 percent support job training for welfare recipients, and 88 percent favor child care for parents looking for work. Including the word "welfare" in polling questions always produces a more negative result, but even when asked if tax dollars should be increased or decreased for welfare, 48 percent would spend either the same or more than current levels, while 36 percent would reduce taxes going to welfare. Only 10 percent would end tax funds for welfare altogether (USA Today/CNN/Gallup).

Americans express deeply held values in their opinions about welfare and poverty. They do not want to break up families. 72 percent wanted to keep unmarried mothers under age 21 and their children together, and only 20 percent favored placing the children in an orphanage or in foster care (New York Times/CBS News Poll). 78 percent would be upset if many poor mothers have to give up their welfare benefits and send their children to orphanages or foster homes (Newsweek Poll). They also want people to take personal responsibility for bettering themselves. 44 percent feel that lack of effort is more to blame for people's poverty, while 34 percent blame circumstance (New York Times/CBS Poll). Negative feelings about adults on welfare are fairly prominent, and while a majority (56 percent) oppose ending payments to unmarried mothers, when asked if children should have separate benefits, 78 percent say yes (USA Today/CNN/Gallup). And as noted above, Americans value work. 83 percent "would be willing to spend more in taxes on programs to reduce poverty provided that the focus is on job training and moving people into productive work" (Center for the Study of Policy Attitudes).

The public does respond to issues of fairness. When asked, "Is it fair to cut off government payments to people who have been on welfare for two years, even if they have no other source of income?" 52 percent said it was unfair, while only 38 percent said it was fair (Time/CNN Poll).

Chairman SHAW. Thank you, Mr. Johnson.

Our next speaker is David Liederman, who is executive director of the Child Welfare League of America.

Mr. Liederman.

**STATEMENT OF DAVID S. LIEDERMAN, EXECUTIVE DIRECTOR,  
CHILD WELFARE LEAGUE OF AMERICA**

Mr. LIEDERMAN. Thank you, Mr. Chairman.

I am David Liederman. The Child Welfare League is an association of 800 child welfare agencies, public and nonprofit, that serve nearly 2.5 million children, abused and neglected children in the United States. We appreciate the opportunity to testify.

We are very concerned that we enact real welfare reform in the United States of America. I think everybody in this country wants to do something about the welfare system. And we believe that real welfare reform means that we lift children out of poverty, that we reduce dependency, and that we make sure that welfare moms are permanently off of public assistance, that they get off the rolls permanently.

I would suggest that many of the proposals that are on the table and that many of the proposals that are being suggested by Governors around this country would not accomplish those goals, would absolutely not accomplish those goals. We are very concerned about eliminating the entitlement, and we are very concerned about shifting to block grants.

Sixty years ago, Mr. Chairman, this country made a sacred trust with our poor kids when we enacted the Social Security Act. We said that, regardless of the color of your skin, regardless of what language you spoke, regardless of what you look like, if you qualified by income for public assistance, you are eligible and you are entitled to receive it. To break that sacred trust now for our poorest children would be an absolute disaster.

I do not think this is any time to be taking the word of one Governor in the United States, Governor Tommy Thompson of Wisconsin, when he assures us that the Governors of this country are going to take care of the poorest kids in this country. With all due respect to Mr. Thompson, I would frankly rather have the contract that was established in 1935.

It is interesting that, this morning on "CBS News," we heard a report from Wisconsin and we heard Mr. Thompson, and Governor Thompson talked about the fact that in Wisconsin they have reduced their welfare dollars by 25 percent since 1987. They have reduced their welfare expenditures 25 percent since 1987, and he was very proud of that.

The other day I said to one of my staffpeople, I said would you please call the Census Bureau and find out what the poverty rates are in Wisconsin, what has happened to the poverty rate in Wisconsin. If you look at the poverty rate and if you care to ask the Census Bureau what the poverty rates are in Wisconsin, you will find that, from 1989 to 1993, during his watch, the child poverty rate has increased by 60 percent. The child poverty rate has gone from 10 percent, roughly 10 percent, to 16 percent in Wisconsin.

So what is the goal of welfare reform? If the goal is to reduce dollars, to cut welfare benefits, then the road that is being suggested

and the road that you are going to go down with the Personal Responsibility Act will absolutely accomplish that. If your goal is to reduce dollars, push people off public assistance to save money, then you are going down exactly the right road.

If what you want to accomplish is to lift children out of poverty, reduce dependency and make sure that young moms are permanently off of public assistance, then I would suggest that you are going down the wrong road. If you look at the history of the block grants that were established in the early eighties, what you would find—and I am sure that this Committee is concerned about accountability—what you would find, if you care to ask the questions, is that you cannot determine from many of the block grants that were established how many kids were helped, how many families were helped, and what happened to the money. You cannot find out the answers to those questions, and I think those are critical answers.

If a block grant is an excuse for social engineering experiments that Governors want to enact around this country to throw kids off welfare and throw families off welfare, then we are going down the wrong road. At least, Mr. Chairman, if we are going to allow Governors to play with kids' lives, to use kids as human guinea pigs in this country, if that is what we are about, then at least mandate that there be an impact study, at least have some impact studies, establish some outcome measures, try it in one State, try an experiment in one State and measure it and see whether or not it works. That is the least that we can expect, Mr. Chairman, if we are going to fool around with 10 million children in the United States.

One final point that I want to make is that whatever you do, Mr. Chairman, please do not fool around with the child welfare system. The child welfare system currently serves 1.2 million abused and neglected kids. It is the only safety net for abused and neglected kids. This is not the time to be messing around with the IV-E entitlements, to be fooling around with child welfare services that serve abused and neglected kids in this country. And we beg you and plead with this Committee not to fool around with the basic entitlements that abused and neglected children are entitled to in the United States.

Thank you, Mr. Chairman.

[The prepared statement follows:]

**TESTIMONY OF DAVID S. LIEDERMAN  
CHILD WELFARE LEAGUE OF AMERICA**

Chairman Shaw and Members of the Subcommittee, I am David Liederman, Executive Director of the Child Welfare League of America (CWLA), a membership organization representing nearly 800 public and voluntary child serving agencies that assist over 2.5 million children and their families nationwide. Our member agencies in each state serve troubled and vulnerable children, many of whom not only have experienced the hardship of poverty but also have been served by the Aid to Families with Dependent Children (AFDC) program. Approximately 50 percent of children in substitute care are AFDC eligible children.

**REAL WELFARE REFORM NEEDS FOCUS ON CHILDREN**

I appreciate this opportunity to discuss real welfare reform. The national debate has become very complex, but my message today is simple. Real welfare reform means taking seriously the welfare of children. It means remembering, when you mark up and vote on a welfare reform bill, this watchword -- "do no harm to children."

We, as a nation, have an obligation to keep all children from harm. You, as elected national lawmakers, should hold this duty foremost. We talk a lot in this country about the value of strong families; but we often do precious little to preserve and strengthen families. When a child reaches adulthood without the education, skills, or job opportunities to succeed, we all have failed. When a child never makes it to adulthood, we have suffered the ultimate failure.

Our nation originated the Aid to Families with Dependent Children (AFDC) program as part of the Social Security Act of 1935. Congress' primary goal was to insure that children's basic needs are always met, and to prevent children from falling into sustained poverty and long-term dependence. Prior to that year, mothers who were unable to care for their children were often forced to rely upon poorhouses or orphanages. The program's enactment reflected the belief that the best place for children to be raised is at home with their families. As the 104th Congress considers whether to tear down our national safety net or to look for better solutions, please keep that original goal in mind.

We all want change. We all condemn the welfare system for not helping enough families obtain employable skills, find work, and climb out of poverty for good. But, it does still provide a floor of support that helps to keep many children alive and to give them a chance to succeed.

Ask your constituents. Polls indicate that they hate the welfare system. Most want parents in AFDC families to work. But they don't want children to go homeless. They don't want children to starve. They don't want children to lose needed benefits or to be sent away from their families. According to a December 1994 poll by the Citizens for a Sound Economy Foundation, 57 percent of middle-class voters surveyed don't want benefits cut to children of teen mothers. More than three-quarters (77 percent) oppose moving children from welfare families to group homes or orphanages. According to a 1993 poll by Peter D. Hart Research Associates, 80 percent of respondents said welfare provides a crucial safety net for poor children, who are not responsible for their poverty. In the same poll, 77 percent indicated they would favor a welfare reform plan that costs a lot more money than the current welfare system, due to child care, job training, and other programs that help more people to leave welfare.

We stand at a crossroads with these policies that affect so many of our children. Already, Wisconsin has set an unwelcome precedent by becoming the first state to be granted a waiver to institute complete termination of assistance to families who have broken no program rule. This committee is considering legislation that would apply similarly harmful policies to millions of children nationwide.

Unfortunately, too many of the proposals under consideration would shred the safety net more, rather than constructively reform and repair it. I urge you to reject those proposals. Almost ten million of the very poorest children in this nation receive AFDC benefits. A

mother and two children on AFDC depend upon an average of only \$366 a month for their basic needs. And it is a pittance. If you don't believe me, I challenge you to live for a month on an AFDC benefit. We tried it as legislators in Massachusetts, and it was impossible.

We must preserve the safety net for children. Already, too many children fall through it. Nearly one out of every four children is poor. In five years, the number of children under six living in poverty experienced a staggering increase, from five million in 1987 to six million in 1992.

The welfare system is in disarray. We must fix the welfare system so that children escape poverty, so that they do not become mired in a multi-generational cycle of poverty. We must preserve the promise of support, the AFDC entitlement, to ensure that all children have access to basic support for food, clothing, and shelter.

Yes, we need more personal responsibility, but that call is not limited to families on AFDC, nor is just a call sufficient.

Don't let attackers of poor children get away with telling you that the problem is simply a lack of personal responsibility. Most parents on welfare want to work but, without training and job opportunities, they often cannot find work. Despite their parenting responsibilities, 83 percent of welfare recipients indicated that they would leave welfare immediately for a minimum wage job if it provided health care for their family.

Most families on welfare don't stay on it continually for years and years. Over 50 percent of welfare recipients leave welfare on their own within one year; 70 percent leave within two years.

The most common problem for poor families is an economic crisis. Working families are forced to begin or return to welfare due to a lack of stable employment, adequate or affordable health insurance or child care. Only 8 percent of post-welfare employment is accompanied by health care benefits. A GAO study in 1987 found that 60 percent of respondents in work programs in 38 states reported that lack of child care was a barrier to their participation in the labor force.

#### **MASSIVE BLOCK GRANTS WOULD FAIL TO PROTECT THE MOST VULNERABLE**

I have commented on previous occasions about H.R. 4, the Personal Responsibility Act, and would like to direct my comments today to the block grant proposals, which are under serious consideration.

While careful consolidation of a number of categorical programs makes sense and is overdue, block granting virtually all activities for its own sake, accompanied by spending cuts, would cause severe problems for children. Eliminating the entitlement guarantee, along with massive consolidation and spending reductions could, in the short- and long-term, severely undermine state and local community efforts to protect and serve children. They would then be placed at even greater risks that could lead to homelessness, neglect, or other family crises that would require child welfare intervention.

I urge the subcommittee to maintain that federal guarantee to protect children; to support efforts to establish paternity but not to penalize children by denying benefits in cases where paternity has not been established despite the mother's cooperation; to support efforts to reduce teenage pregnancy and promote marriage but not to deny benefits to children born out of wedlock to young mothers; and not to deny benefits to children due to their legal immigrant status.

The danger in permitting states to carry out misguided welfare policy is demonstrated by the recent experience of several states which cut general assistance funds for many thousands of

people. A report released last year by the Center on Social Welfare Policy and Law found that hundreds of thousands of men and women suffered without jobs or income support after states targeted single "employable" people for welfare cuts. The report looked at welfare cuts in Michigan, Ohio, and Illinois, and found that state definitions of "employability" were totally unrealistic, most former recipients did not find jobs, and crises were immediate and severe for large numbers of individuals left homeless, hungry, and sick following the cuts. Within one year after Michigan made its cuts, 25 percent of the former recipients became homeless, according to a University of Michigan study.

These findings indicate that too often, the states' answer to welfare recipients is to let them live in the streets, begging, homeless, cold, and hungry. A welfare block grant to decentralize welfare to the states without federal minimum standards would increase competition among neighboring states to enact more punitive policies in hopes of providing a disincentive for interstate migration. A block grant accompanied by severe cuts in AFDC and other benefits and services could send millions of children into the streets, or to orphanages.

CWLA has estimated the basic cost of caring for one child in a residential group care facility at \$36,500 per year, ten times the cost of AFDC and Food Stamp combined benefits (\$2,644 per year) for that child. Providing basic residential group care for three million of the nearly ten million children on AFDC would cost about \$109.5 billion a year. Costs vary for residential group care and family foster care, but the estimates I have provided are toward the low end of the cost spectrum.

The block grant proposals would strip away assurances of protection and help for children in need and drive them into an already besieged child welfare system. Even now, the child welfare system cannot keep up with increases in the number of abused and neglected children. In 1993, 2.989 million children in the U.S. were reported abused or neglected, up from 1.154 million children in 1980. Welfare reform proposals to end AFDC assistance to millions of children would overwhelm the child welfare system, undermine its ability to protect abused and neglected children, and leave many children in jeopardy.

Charitable organizations cannot pick up the slack. They already subsidize about 30 percent of the cost of residential group care with charitable dollars. CWLA's member agencies report that their resources are stretched to the limit.

#### **BLOCK GRANTS IGNORE GREAT UNEVENNESS AMONG THE STATES**

States have widely varying capacities and experiences in meeting the needs of their most vulnerable young citizens. Vastly different resources and expertise are the rule. These wide variations have tremendous implications for children.

We believe that despite the best efforts of local communities and state governments, the work of the nation's public and private child welfare agencies will remain insufficient to the task unless the federal government provides more leadership, promotes greater accountability and commits more, not fewer, resources to the care and protection of children. We believe a national strategy is necessary and must be tied together by a federal government working in close cooperation with states and local communities in the public and private sectors.

#### **BLOCK GRANTS DO NOT MAKE REAL WELFARE REFORM**

Giving states more flexibility by itself will not achieve real welfare reform. Real welfare reform that can improve the lives of very poor children and their families means addressing individual and structural issues, demanding personal responsibility, providing the services for getting and keeping employment that enables families to be self-sufficient, and investing in economic development that will generate stable jobs that can support families. It means, among other things over the long-term, addressing child poverty in America. Congress, by greatly expanding the Earned Income Credit (EIC), already has gone a long way to ensure that no working family will live in poverty. We can do a great deal more for children and



families through welfare reform, but only if we utilize adequate resources and address the root causes of poverty.

Welfare reform must also value and encourage excellent parenting, the most vital means to help children grow up healthy. Some AFDC heads of household are not able to work or should not be expected to do so. Young mothers, for example, must not simply be tossed into the working world -- parenting itself is too important and parenting is indeed hard work. Instead, they should be encouraged to care for their children and pursue an education that prepares them for lifelong work, and they should be provided with appropriate job exposure and training.

#### **Jobs**

A key element to successful welfare reform will be employment. Good wage jobs need to be available for people to work but are in short supply. We must encourage and assist AFDC parents to become self-sufficient and to act responsibly, find and keep work outside of the home, pursue education, maintain adequate and stable earned income, and contribute to the care of their children.

All participants should be required to engage in activities to receive the necessary skills to obtain a decent paying, stable job. AFDC requirements that discourage work and marriage should be changed. AFDC asset limits should be raised so that recipients can save for their children's education or start a business without having to sell virtually everything they own. However, we destine our policies and families to failure if we expect that every AFDC family can move at the same speed to find employment.

AFDC recipients who are ready and able to work but cannot find a job in the private sector should be provided with quality full-time public sector work at family-supporting wages. Improved employment opportunities in the children's services sector, for example through full funding of Head Start and expansion of child care programs, could address the dual need of expanding children's services while providing public sector jobs for adults. A higher minimum wage would promote work incentives and draw more low-income families out of poverty. Extreme care must also be taken to avoid creating workfare programs that displace existing workers and institute a new substandard minimum wage for AFDC recipients or substandard working conditions that would have a harmful impact on the labor market and promote divisiveness in the work force.

#### **Transitional and other supports**

Welfare reform must provide strong transitional support services for AFDC families to work. These service components should include high quality education resources, job training, and child care.

Children whose families receive AFDC are among those most at risk of developmental delays and diminished educational achievement. There is widespread agreement that, in order for them to thrive and succeed in school, they need the benefits of comprehensive, high quality early childhood programs. Welfare reform will place an increased demand for child care on a system that even now cannot ensure adequate and affordable quality care. Adequate resources and an improved infrastructure must be in place in order to ensure that all children have access to quality child care. Welfare reform child care policy must include consistent standards to ensure the healthy and safe development of children regardless of the funding source for their child care assistance. In addition, parents who leave AFDC for work should receive child care assistance beyond the current twelve months, so that they are not forced to lose their job for lack of child care. It is equally important that we not further pit necessary child care for families struggling to get and stay off public assistance against the necessary child care for working low-income families struggling to stay afloat and get ahead.

In addition to specific transitional support services, a meaningful anti-poverty strategy must include improved unemployment insurance protection, a refundable children's tax credit,

universal access to health care, improved paternity establishment and child support enforcement, improved access to federal nutrition programs, as well as other reforms and initiatives outside of the AFDC system.

#### **Child support enforcement and assurance**

Paternity establishment and child support enforcement and assurance are fundamental elements of welfare reform. Child support is a crucial factor to keep children and their custodial parents out of poverty, sends a message that both parents are responsible for their children, and can make a substantial difference in the financial security of all single-parent families. According to the National Women's Law Center, our nation's system of paternity establishment has overwhelmingly failed. Of child support cases in 1989, paternity was established in only 31 percent of non-marital births, and \$5.1 billion of court-ordered child support was not paid to custodial parents with child support orders.

Both parents have a responsibility to support their children. Fathers should be required to contribute financially to their children's well-being, and should be strongly encouraged to be active parents and family members. Struggling families should receive case manager support in reformed AFDC offices that focus on providing family services. All AFDC recipients should be encouraged to complete high school and pursue higher education.

#### **NEW NATIONAL EFFORT ON TEEN PREGNANCY PREVENTION IS NEEDED**

Our nation must respond to the epidemic of teen births by instituting a national campaign to prevent teen pregnancy. Research indicates that more than half of teens age 17 and younger are virgins. Efforts should be made by families, communities, schools, churches, and the media to support teens to abstain from sexual intercourse. Young people in the critical years of 9 to 14 should be especially targeted.

Schools should strengthen the curriculum in decision-making skills, family life education, social responsibility, and basic education and employability skills. Comprehensive family planning services should be available to counsel teens regarding sexual abstinence and appropriate medical services for sexually active teens.

A thorough network of health, education, and support care services, including medical and psychological services, should be available to all pregnant and parenting adolescents. Pregnant women, at the very least, should receive prenatal care and education about the risks of using drugs, alcohol, and tobacco during pregnancy. Drug treatment programs should be available for all drug-abusing pregnant women and parents of infants.

Improved paternity establishment and strict enforcement of child support in cases involving teen pregnancy will send an important message to young men that fatherhood is accompanied by parental responsibilities.

#### **Responsible adult supervision and guidance important for young parents**

As we institute a national campaign to prevent teen pregnancy, we must not abandon teen parents and their children. We should continue to provide children of teen parents with safety net assistance, and encourage teen parents to get the skills they need to support themselves and their children.

CWLA supports a residency requirement for teen mothers in safe and appropriate supervised living arrangements at home or in other settings that give young parents the support and guidance they need to gain parenting and other vital life skills. Almost three-quarters of pregnant teenagers under age 18 live with one or both of their parents. Even six months after giving birth, about 60 percent of young mothers aged 15-17 are still living at home. CWLA believes that pregnant and parenting teens should remain at home for the emotional and financial support that parents can provide. For those pregnant and parenting teens who

cannot remain at home because of abuse or neglect, arrangements must be made for them to live with other family members or in supervised group homes.

A CWLA survey of Florence Crittenton Agencies, conducted last year, suggests that forcing teen parents and their children to return to a parent's home without proper safeguards could place many children at severe risk of physical or sexual abuse. The survey found that:

- about 62% were estimated to have been abused or neglected by a caregiver;
- almost 64% were estimated to have had at least one unwanted sexual experience;
- about 50% of those living independently would, in the opinion of those agencies which serve such young women, be placed at risk of physical or sexual abuse if returned to their families.

The high prevalence of abuse by caregivers indicates that most of the adolescent mothers served by these agencies come from unsafe homes. These figures most likely underestimate the proportion of these mothers who have been abused or neglected by a caregiver because some agencies answered this question only in terms of substantiated abuse cases.

It is widely believed that abuse very often goes unreported or unsubstantiated. The Crittenton Agencies' staffs know these young women quite well; their report that 50% would be at risk of abuse if returned to their homes suggests that for the federal government to impose such a requirement without critical safeguards in order to receive welfare would be detrimental to thousands. It would force many adolescents to choose between seeing their children go hungry or homeless and putting both themselves and their children in danger.

Qualified "teen parent case managers" should be assigned to make careful decisions regarding whether the teen and her child should be sent back to a parent's home. These case managers would also help each minor parent draw up an individual plan to attain independence, assist her in achieving her plan by linking her with needed education, health, family planning, substance abuse treatment, and other social services. Recognizing that the teen parent case manager would play a critical role in assuring the rights and safety of teen parents and their children, caseloads of no more than 20 clients to each teen parent case manager should be maintained.

If a teen parent residency requirement program is implemented, we must ensure that young parents do not return to abusive or otherwise unsafe households, that exceptions are made when such a requirement makes no sense for a particular family, and that teen parents' special needs for intensive case management are addressed.

#### **Education, child care and health assistance critical supports for teen parents**

Teen parents receiving AFDC should be required to complete their education. Research has shown that just over half of all teenage mothers complete their high school education during young adulthood. Many of those who do not complete high school have low basic academic skills, and have low earning potential. Five years after giving birth, 43 percent of teenage mothers are living in poverty, according to a 1990 report by the Congressional Budget Office. Special efforts must be made to assist pregnant and parenting teens to remain in school and to further their education, thus enhancing their chances for self-sufficiency and to avoid repeat pregnancies.

State departments of education and human resources should assist in making child care services available to help teen parents stay in school. Day care options should be readily available at or near the school site so teens can complete school. Teen parents should be expected to work in the centers as part of their parental obligation -- an excellent opportunity to learn effective parenting skills. Voluntary, early home visiting by public health and community resource persons should be expanded to reach and assist young parents.

## **CHILD WELFARE SAFETY NET -- THE PROTECTION OF LAST RESORT -- MUST REMAIN INTACT**

Block grant proposals that strip away assurances of help for children in need would drive more children into an already besieged child welfare system. Even now, the child welfare system cannot keep up with increases in the number of abused and neglected children. Welfare reform proposals that would end AFDC assistance to millions of children would overwhelm the child welfare system, undermine its ability to protect abused and neglected children, and leave many children in jeopardy.

As you consider welfare reform and seek to address potential negative impacts on the children, I urge you to maintain the child welfare safety net -- all the Title IV-E guarantees and the capped entitlement for family preservation and support -- to help children receive the services they need to keep them safe. It is the safety net of last resort.

Many of these children are in state custody where the state is functioning as their legal parent, and as such, has an obligation to respond when a child's safety is threatened. The federal government has an important role in enabling the states to do their jobs by providing guidelines for protection and enforcing the protections when they are ignored.

The children needing protection and care have greater and more complex needs than ever. They require sound assessments and timely and appropriate services.

The Title IV-E entitlements, under P.L. 96-272, provide the individual guarantee of support for maintenance, for "administrative costs" that principally pay for essential preplacement and permanency determination activities (e.g., child and family assessments, referral to services, recruitment of foster and adoptive families), and for training that staff who work with the children and families require. It also provides for adoption assistance that has proven very successful in removing the financial barriers to adoption for children with special needs.

The Family Preservation and Family Support Services Program, recently enacted under P.L. 103-66, provides important incentives and resources to the states to develop and expand services to prevent unnecessary placement and to reunite children with their families. Progress has been made in introducing appropriate family-focused, child-centered services and many children have been able to remain home safely or safely return to their homes. This support and direction are essential for children and their families that are clearly in crisis, but are not quite at the brink of destruction. Without this support, we will end up with a system that can only respond at the "back end," to more extensive, expensive and intractable problems.

A child welfare block grant, currently under consideration by this subcommittee, would only further compromise children's safety should it eliminate the services' guarantees, fail to specify protections and lack enforcement.

## **A RESPONSIBLE FEDERAL ROLE IN WELFARE REFORM**

The federal government has an important responsibility in its partnership with the states in assisting their families to take care of their children. The current welfare system is broken and the federal government needs to work with the states to change it. That means more than simply writing a check and walking away.

We must build a stronger future for children in America. Congress should take the following 10 steps toward real welfare reform:

1. Preserve the federal commitment to protect children from discrimination and serious harm by maintaining the AFDC entitlement. Ensure that children in all states have access to a basic "safety net" of support;

2. Improve federal oversight, cut unnecessary bureaucracy, and streamline where appropriate;
3. Concentrate our efforts and resources on the majority of parents who leave AFDC on their own. This is the most motivated group and we should ensure that they stay off welfare permanently by maintaining health care coverage, providing income disregards and guaranteeing quality child care.
4. Work with the private sector and states to support the creation of jobs that pay a living wage so that AFDC parents can find work, stay employed, and support their families; and ensure that all AFDC parents have access to quality job search assistance, education, internships, training, and transportation. Require states to increase participation in work programs so that at least half of each state's work program participants are employed in either private or public sector work;
5. Support efforts to increase access to high-quality day care. Lower the state match requirement, substantially increase federal funding for child care assistance, set minimum payment levels based on full market rates, and eliminate the income disregard method and statewide limit;
6. Institute a national teen pregnancy prevention campaign through education, health services, family and community efforts and the media. Support efforts to help teens to delay parenting and to stay in school;
7. Support aggressive case management and services to teen parents, including home visiting; encourage involvement of teen fathers in parenting responsibilities;
8. Reform health care so that illness does not drive families onto the welfare rolls;
9. Support responsible paternity establishment and child support enforcement and assurance; and
10. Develop a broader anti-poverty strategy, so that working families do not fall into poverty.

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Chairman SHAW. Thank you, Mr. Liederman.

The next witness is Peter Ferrara, who is a senior fellow at the National Center for Policy Analysis.

Mr. Ferrara.

**STATEMENT OF PETER J. FERRARA, SENIOR FELLOW,  
NATIONAL CENTER FOR POLICY ANALYSIS**

Mr. FERRARA. Thank you, Mr. Chairman.

We are here to discuss sweeping welfare reform, because the current system is a disastrous failure. Current spending is at record levels, by any measure. We spend at least \$350 billion on means-tested welfare programs at the Federal, State and local levels of this country. The chart here shows welfare spending up to 1992 when it was over \$300 billion. If you update it to today, we spend at least \$350 billion on these programs at the Federal, State and local level, if you take all the welfare programs together.

Yet, the poverty rate today at 15.1 percent is higher than the rate in 1966 when the war on poverty began, when it was 14.7 percent.

The current system is not just a failure. It is counterproductive. It is directly contributing to the problem and actually causing poverty. It does that, because it directly promotes counterproductive behavior, such as nonwork, nonmarriage, illegitimacy and family breakup. The current system does this by providing substantial rewards for such counterproductive behavior. For example, if you do not work, you are entitled to an array of benefits in over 300 programs by our count. However, if you try to go to work and earn your own income, the programs penalize work by taking away those benefits.

Similarly, if you bear a child out of wedlock, you are entitled to an array of benefits under all these programs, so you are rewarded for that behavior. But if you marry someone who works, then you are penalized for that behavior, because they take away those benefits. So they are subsidizing the behavior that leads to poverty and they are penalizing the behavior that leads people out of poverty.

As a result, we can see—and in my testimony I discuss it in more detail—that since these programs began, work among the lowest income groups in the population has collapsed and family breakup and illegitimacy has soared.

Therefore, what is the solution to this problem? Well, we have a two-pronged approach. First, we support broad open-ended block grants to the States. In fact, we think Congress should eliminate even the restrictions that you see in the current welfare reform bills. We should give the money to the Governors. The system needs to be completely redesigned from the bottom up. We do not have the answers in Washington. Uniform rules for the entire Nation will not work. It is a very diverse country and the problems are very diverse. We need local variation. We need local experimentation.

So I support what the Governors are saying on this, that we should remove the restrictions even in the current proposals and turn it back to the States and let them design it from the start. Another reason to do this, frankly, is to get the welfare system away from the liberal interest groups that predominate in Wash-

ington. They and their allies in the Federal bureaucracy will ultimately pervert any requirement that you put into the system.

Inherent in the whole notion of block grants is that you eliminate the notion of entitlement. Entitlements are what is destroying the current system and destroying the Federal budget and destroying inner-city communities, because it is the entitlement nature of the system that leads to these uniform rules that end up encouraging the wrong behavior and discouraging the good behavior.

If you return it to the Governors, they could try a wide variety of solutions. Some of the restrictions that are in current proposals might work, might be good ideas, and might be adopted. If I was a Governor, the proposal that I would favor is to offer people work, instead of welfare, and I would have a place where they could go to work without question. If they needed funds, they would be paid cash in return for the work. This eliminates all the disincentives to work. There is no reason now not to go to work in the private sector, because the only way you can get funds is by work. It eliminates all the incentives for illegitimacy, because you no longer pay rewards for that.

In addition, the other proposal we have is that taxpayers be allowed a tax credit for contributions to private charities, and then to the extent that they exercise that tax credit, the block grant funds to their State would be reduced commensurately, so that the ultimate control over the system would be put in the hands of the taxpayers. They would then have the ability to reallocate funds from the block grant, to the extent that they think the State welfare programs were not doing a good job.

The taxpayers would take a credit for contributions that they made directly to charities and this would be added up at the end of the year, and to the extent they took that credit, the block grants would be reduced by an equal amount. This creates a competition between the government welfare programs and the private charities, and this will improve both the government programs and, in addition, allow the taxpayers, if they see in their State that there are private charities doing a better job, reallocate those funds to those who are doing the best job.

We produced a study on this recently, and we show how the private charities in fact are much more effective in helping people get off welfare precisely because they are not entitlements, because they have the ability to use discretion and subjective judgment, and we submit that this two-pronged approach would be a far better system than the current system.

Thank you, Mr. Chairman.

[The prepared statement and attachment follow:]

**Testimony Before Committee on Ways and Means  
U.S. House of Representatives  
Subcommittee on Human Resources  
Addressing the Welfare Reform Sections of the Contract With America,  
Peter J. Ferrara, Senior Fellow, National Center for Policy Analysis  
January 30, 1995**

## **Welfare Reform That Really Works**

Among the vast array of possibilities for sweeping reform by the new Congress, the most far-reaching and historic is welfare reform. Public opinion polls show most people recognize that the current system has utterly failed and are thoroughly disgusted with it. They would overwhelmingly support radical reform including spending reductions. The new Congress also is receptive to radical reform. Indeed, many members campaigned vigorously on the issue.

**The Case for Change.** The failure of the current system is palpable.

- Federal, state and local governments spend about \$350 billion per year on 79 means-tested programs aimed at assisting the poor [see the figure]; this is about 20 percent more than we spend on national defense.
- Yet today's poverty rate of 15.1 percent is higher than the 14.7 percent rate in 1966 when the War on Poverty began.

Even worse, the welfare system has caused the work ethic of the lowest-income groups to collapse and family breakup and illegitimacy to soar.

- In 1960, nearly two-thirds of households in the lowest one-fifth of the income distribution were headed by persons who worked.
- By 1991, this had declined to around one-third, with only 11 percent of the heads of household working full-time, year-round.

Moreover, out-of-wedlock birth rates have soared.

- The rate for blacks has risen from 28 percent in 1965 to 68 percent in 1991.
- The rate for whites was 4 percent in 1965, and among white high school dropouts is now 48 percent.
- In 10 major U.S. cities in 1991, more than half of all births were to single women.

The collapse of work and family has bred urban decay, crime, drug addiction and numerous other social afflictions. This social tragedy is the direct result of our current welfare system. It rewards people for not working by giving them numerous benefits and penalizes those who return to work by taking away the benefits. The system rewards illegitimacy and family breakup by paying women generous rewards for having children while they are single and penalizes marriage by taking away the benefits from women who marry working men.

## **Proposals for Reform**

Simply stated, the current welfare system is a disaster for the poor, the taxpayers, the economy and the nation.

Reform of the system should be based on two key components. First, all major federal welfare programs should be abolished and the money currently spent on these programs should be given to the states in the form of "block grants." Second, taxpayers should be allowed to shift that funding from state programs to private charities.

**Block Grants.** Federal funding for as many current federal welfare programs as possible should be sent to the states with only one proviso: that the funds be used to help the poor. Each state would then be able to use the funds, along with current state welfare funds, to design its own welfare programs. These grants would replace AFDC, food



stamps and public housing, among other so-called entitlement programs. Medicaid funds could be segregated in a separate grant with the requirement that they be spent on health care for the poor.

This would free each state to experiment with entirely new approaches to welfare. States might offer work instead of welfare. They might grant funds to well run private charities. They might come up with entirely new approaches that no one has thought of yet.

The federal government should not impede innovation and experimentation at the state level. Clearly the federal government does not know what the right approach to welfare is, and the right approach may vary from state to state. Moreover, any attempt to impose federal restrictions on the design of state welfare programs will tend to give Washington-based interest groups greater opportunity to influence policy and short-circuit fundamental reforms. With open experimentation, by contrast, some states will be able to discover what works, and others can adopt and adapt the best approaches.

All requirements in current federal reform bills — such as cutting off welfare to single mothers under 19, using funds for orphanages, cutting off benefits after two years and denying benefits to legal immigrants — should be deleted. The states can determine whether any of these provisions are desirable and adopt them if they are.

The block grant to each state should be a fixed sum — independent of how much money the state adds to it. Current programs rely on matching grant formulas that provide more federal funds the more the state spends. This only encourages higher, often unnecessary state spending.

With block grants, the federal government would save money immediately by laying off the thousands of bureaucrats who administer the programs. Further reductions would be possible as states find ways to eliminate poverty and reduce the need for welfare spending.

**The Private Charity Tax Credit.** The second component of reform would be a dollar-for-dollar tax credit for contributions to private charities. Taxpayers could donate up to 40 percent of their personal income tax payments, which is the share of total individual income taxes that currently goes to federal means-tested welfare programs. To the extent that a state's taxpayers utilized such credits, the state's welfare block grants would be reduced by an equal amount. Thus the revenue loss from the tax credits would be offset completely by reduced federal welfare grants to the states, leaving no effect on the deficit.

Block grants plus tax credits would give taxpayers the ultimate control over welfare. If a state misspent its block grant funds, its taxpayers could shift the funds to the private alternatives that work better. Healthy market competition between the state programs and private charities would give state welfare bureaucracies a real incentive to perform well in reducing poverty.

A mountain of evidence and experience indicates that private charities are far more effective than public welfare bureaucracies. Instead of encouraging counterproductive behavior, the best private charities use their aid to encourage self-improvement, self-sufficiency and ultimate independence. The assistance of private charities may be contingent on ending drug use and alcoholism, completing necessary education, taking available work, avoiding out-of-wedlock births, maintaining families and other positive behaviors. Private charities are also much better at getting aid promptly to those who need it most and at getting the most benefit out of every dollar.

With the tax credit, private organizations would be able to compete on a level playing field for welfare tax dollars. To the extent they convinced the taxpayers that they were doing a better job than state bureaucracies, private charities, rather than government, would be permitted to manage America's war on poverty.

## **Public Sector Failures vs. Private Sector Successes**

Although volumes have been written about the failures of government welfare programs, the academic and scholarly community has paid surprisingly little attention to private sector charity. Yet the private sector is playing an extremely important role:

- In 1992, total charitable contributions reached \$124 billion, with contributions by individuals accounting for 82 percent (\$101.83 billion) of that total.<sup>1</sup>
- More than 85 percent of adult Americans make some charitable contribution each year.<sup>2</sup>
- About half the adult population did volunteer work in 1991, contributing more than 20 billion hours of labor.<sup>3</sup>
- The dollar value of these contributions of time is at least \$176 billion.<sup>4</sup>
- If the value of volunteer labor is included, private sector contributions to charitable causes are approximately the same as the poverty budgets of federal, state and local governments combined.<sup>5</sup>

In this section we contrast some of the best private charities with federal welfare programs in terms of the characteristics of an ideal welfare system.

**The Nature Of Charity: Entitlements vs. Gifts.** Entitlement programs for welfare are structured so that benefits are granted solely on the basis of personal circumstances. Applicants do not have to give the reasons for their circumstances or explain how they plan to change them in the future. They don't even have to show a willingness to change. In the AFDC program, for example, the requirements for eligibility essentially amount to: (1) low income, (2) very few assets, (3) dependent children and (4) no man in the household. Anyone satisfying these requirements is entitled to benefits. And the word entitlement means "right" — benefits cannot be withdrawn simply because recipients refuse to modify their behavior.

The philosophy of the private sector is quite different. The best private charities do not view the giving of assistance as a "duty" or the receipt of assistance as a "right." Instead, they view charitable assistance as a tool recipients can use intelligently, not only to gain relief but also to change behavior. For example, at many private charities the level of assistance varies considerably from individual to individual. Private agencies usually reserve the right to reduce assistance or withdraw it altogether if recipients do not make behavioral changes.

Many private charities require that a caseworker and an aid recipient develop a plan to move the recipient into self-sufficiency. For example:

- At Jessie's House, a transitional home for the homeless in Hampton, Mass., shelter beyond one week is contingent upon positive evidence of individual improvement.<sup>6</sup>
- At the Dallas Salvation Army, aid varies according to the caseworker's evaluation of the recipient's condition and record of behavioral improvement.<sup>7</sup>

Under entitlement programs, recipients and potential recipients of aid have full freedom to exercise their preferences. In many cases, they choose poverty and, in effect, present the rest of us with a welfare bill we are obligated to pay. Thus, the preferences of public welfare recipients determine the behavior of those who pay the bills.

The philosophy of the private sector is quite different. In general, private agencies allow those who pay the bills to set the standards and expect recipients to change their behavior accordingly. In other words, recipients of private sector welfare must adjust their behavior to the preferences of the rest of society, not the other way around.

If we accept the view that individuals should take responsibility for supporting themselves and their families and that welfare assistance should be administered in a way that encourages this behavior, it follows that the approach of our best private charities is far superior to that of entitlement programs. Because individuals and individual circumstances differ, it is *only* through hands-on management that we can give relief without encouraging antisocial behavior.

Hands-on management includes the tailoring of aid to individual needs and individual circumstances. Such support, counseling and follow-up is virtually unheard of in federal welfare programs. Indeed, when public welfare recipients request counseling, they frequently are referred to private sector agencies.

<sup>1</sup> *Giving USA: 1992 Annual Report*, AAFRC Trust for Philanthropy, Inc., 1993, p. 10.

<sup>2</sup> Taken from a 1983 Gallup Poll.

<sup>3</sup> *Giving USA*, p. 51.

<sup>4</sup> *Ibid.*

<sup>5</sup> Counts total spending on means-tested programs.

<sup>6</sup> U.S. Department of Health and Human Services, *Helping the Homeless: A Resource Guide*, 1984, p. 115.

<sup>7</sup> Interviews with Dallas Salvation Army social services program administrators and directors.

**Getting Aid to Those Who Need It Most.** A basic premise of the American system is that government is the last resort. In other words, the role of government is to do those socially desirable things that the private sector either will not or cannot do.

Ironically, in the field of social welfare this premise has been turned on its head. In the early years of the War on Poverty, federal welfare programs were a social safety net — to provide services the private sector, for one reason or another, did not. Now, it is obvious that just the opposite is true — increasingly, the private sector is reaching people whom government does not reach and offering essential services that government welfare programs do not provide.

If a humane welfare system means anything at all, it means getting aid first to people who need it most. One of the most astonishing and least-known facts about the welfare state is how miserably it fails to achieve this goal. Consider that:<sup>8</sup>

- Only 41 percent of all poverty families receive food stamps; yet 28 percent of food-stamp families have incomes above the poverty level.
- Only 23 percent of all poverty families live in public housing or receive housing subsidies; yet almost half of the families receiving housing benefits are not poor.
- Only 40 percent of all poverty families are covered by Medicaid; yet 40 percent of all Medicaid beneficiaries are not poor.
- *Amazingly, 41 percent of all poverty families receive no means-tested benefit of any kind from government;* yet more than half of all families who do receive at least one means-tested benefit are not poor.

Where do people in need turn for help when they aren't getting government assistance? They turn to private charities.

- Ninety-four percent of all shelters for the homeless in the U.S. are operated by churches, synagogues, secular groups and other voluntary organizations.<sup>9</sup>
- A study in Detroit found that 80 percent of low-income people, when faced with a crisis, turned to neighborhood individuals and agencies rather than to government agencies for help<sup>10</sup>.
- Similar findings were reported in a study conducted by the University of Southern California.<sup>11</sup>

**Providing Relief Without Encouraging Dependency.** A major issue in the welfare-poverty industry is whether the recipient of aid should have to "do anything" in order to continue receiving welfare benefits. Nowhere is the controversy more evident than with respect to workfare.

Throughout the 1970s, there was a continuous political battle at the national level over whether welfare should be tied to work. A fascinating account of the politics of the battle was written by Lawrence M. Mead, who documented the lengths to which the welfare bureaucracy lobbied against any workfare requirements.<sup>12</sup> It appeared the welfare bureaucracy lost the battle when Congress passed the Work Incentive (WIN) program and the Community Work Experience Program (CWEP). However, because it administers these two programs, the bureaucracy that lost the battle won the war by finding few AFDC recipients suitable for workfare and channeling those who were into training or school rather than jobs.<sup>13</sup> As noted above, the 1988 Federal Family Support Act mandated that all states create work-for-welfare programs. But like WIN and CWEP, this program did not reduce the welfare rolls significantly.

<sup>8</sup> Bureau of the Census, *Characteristics of Households and Persons Receiving Selected Noncash Benefits, 1983*, (Washington, DC: U.S. Department of Commerce, 1985), Series P-60, No. 148, pp. 1-5 and p. 103.

<sup>9</sup> S. Anna Kondratas, "A Strategy for Helping America's Homeless" (Washington, DC: Heritage Foundation, 1985), p. 10.

<sup>10</sup> See Robert Woodson, "The Importance of Neighborhood Organizations in Meeting Human Needs," in Jack A. Meyer, ed., *Meeting Human Needs: Toward a New Public Philosophy* (Washington, DC: American Enterprise Institute, 1984), p. 136.

<sup>11</sup> *Ibid.*

<sup>12</sup> Lawrence M. Mead, *Beyond Entitlement* (New York: The Free Press, 1986).

<sup>13</sup> *Ibid.*, pp. 122, 125. For a summary of workfare programs in the 1980s, see S. Anna Kondratas, *The Political Economy of Work-For-Welfare* (Washington, DC: American Legislative Exchange Council, 1986). Kondratas gives these programs a mixed review and concludes that many of the favorable claims made about certain workfare programs, including that of Massachusetts, cannot be verified.

Our best private charities see independence and self-sufficiency as a primary goal for their "clients." Often this goal is accomplished by either encouraging or requiring aid recipients to contribute their labor to the agency itself.<sup>14</sup>

**Encouraging the Family Unit Rather Than Encouraging Its Dissolution.** The attitude toward family on the part of private sector charities usually stands in stark contrast to the incentives built into federal programs.

- AFDC eligibility rules in nearly half of the states have not allowed families with a employed father to receive assistance, regardless of how low the family income is; also, in about half of the states, the family has been ineligible if the father is present at all, regardless of employment.<sup>15</sup>
- By contrast, at the Dallas Salvation Army shelter for battered and abused women, the mothers of young children are required to either work with professionals to repair their relationships with their husbands or to find employment in order to continue receiving assistance.<sup>16</sup>

**Temporary vs. Long-Term Relief.** A prevalent philosophy in the private sector is that most people are fully capable of taking responsibility for their lives in the long term, but that emergencies and crises occur for which help is both necessary and desirable. As a consequence, private sector agencies make it surprisingly easy for recipients to obtain emergency relief. It really is true that, in America, almost anybody can get a free lunch.

The near-universal characteristic of private sector charity is that it's easy to get, but hard to keep. Most government programs, by contrast, have the opposite characteristic: it's hard to get on welfare, but easy to stay there. In the public sector, there are often long waiting times between applying for assistance and receiving aid. One study reported that:<sup>17</sup>

- In Texas, the waiting period is typically two to three weeks for food stamps.
- For AFDC, the waiting period is typically a month after an applicant completes the complicated and cumbersome application forms.
- The Dallas Salvation Army has had to hire a special staff to decipher public welfare regulations and forms so they can refer people who come to them to the proper public agencies.

Once accepted into the public welfare system, however, people find it relatively easy to stay there for a long time:<sup>18</sup>

- Of all women who receive welfare in any given year, about 60 percent receive welfare the next year.
- Among women receiving welfare for two consecutive years, about 70 percent receive it a third year.
- Among women receiving welfare for four consecutive years, about 80 percent receive it a fifth year.

**Minimizing the Cost of Giving.** There is considerable evidence that private sector charity makes far more efficient use of resources than do public welfare programs. Although temporary relief in the form of food or shelter is fairly easy to obtain from private agencies, long-term assistance or assistance in the form of cash is far more difficult. For example:<sup>19</sup>

- Before the Dallas Salvation Army will provide cash to help people defray the cost of rent, recipients must present a court-ordered eviction notice showing failure to pay rent.
- Similarly, before that charity will give financial aid to defray the costs of utilities, the recipient must present a notice of termination of service for failure to pay utility bills.

<sup>14</sup> See Goodman and Stroup, "Privatizing the Welfare State."

<sup>15</sup> Vee Burke, *Cash and Noncash Benefits for Persons With Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1982-84*, CRS Report for Congress #85-194 EPW (Washington, DC: Library of Congress, Congressional Research Service, 1985), p. 52; and Murray, "Welfare and the Family," p. S232.

<sup>16</sup> Dallas Salvation Army interviews. Reported in Goodman and Stroup, "Privatizing the Welfare State."

<sup>17</sup> Interviews with Texas Department of Human Services administrators and Dallas Salvation Army personnel. Reported in Goodman and Stroup, "Privatizing the Welfare State."

<sup>18</sup> Martin Rein and Lee Rainwater, "Patterns of Welfare Use," *Social Service Review*, No. 52, pp.511-34, cited in Greg Duncan, *Years of Poverty, Years of Plenty* (Ann Arbor, MI: Institute for Social Research, 1984), p. 78.

<sup>19</sup> Dallas Salvation Army interviews. Reported in Goodman and Stroup, "Privatizing the Welfare State."

Even when there is evidence of need, good private charities often seek to determine whether the potential recipient has access to other, untapped sources of assistance. For example:<sup>20</sup>

- Before the Dallas Salvation Army will provide continuing assistance to an individual, a caseworker informs the family — including in-laws — and requests assistance from them first.
- The caseworker also makes sure the individual applies for all other public and private aid for which he or she is eligible.

Private sector agencies appear to be much more adept at avoiding unnecessary spending that does not benefit the truly needy and at keeping program costs down by utilizing volunteer labor and donated goods.<sup>21</sup>

**Other Evidence of Efficiency.** Private sector charitable activities are diverse and widespread in cities and counties throughout the country. Our knowledge of these activities is skimpy. However, as more research is done the evidence mounts that in area after area the private sector outperforms government:

- Private foster care agencies have shown they can outperform government agencies.<sup>22</sup>
- Private agencies engaged in job training for teenagers<sup>23</sup> and for the mentally and physically handicapped<sup>24</sup> have shown they can outperform government agencies.
- Public housing placed in the hands of tenants costs less and is of higher quality than that owned and maintained by government.<sup>25</sup>
- Private sector crime prevention programs,<sup>26</sup> alcohol and drug abuse programs<sup>27</sup> and neighborhood preservation programs<sup>28</sup> also have proved to be superior to public sector programs.

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<sup>20</sup> Ibid.

<sup>21</sup> See examples in Goodman and Stroup, "Privatizing the Welfare State."

<sup>22</sup> Robert Woodson, "Child Welfare Policy," in *Meeting Human Needs*, pp. 455-65.

<sup>23</sup> Sean Sullivan, "Youth Employment," in *Meeting Human Needs*, pp. 215-57.

<sup>24</sup> V. Ruth McKinnon, Patricia W. Samors and Sean Sullivan, "Business Initiatives in the Private Sector," in *Meeting Human Needs*, pp. 53-91.

<sup>25</sup> "The Grass is Greener in Public Housing: From Tenant to Resident to Homeowner," a report submitted to the U.S. Department of Housing and Urban Development by the National Center for Neighborhood Enterprise, October 1984.

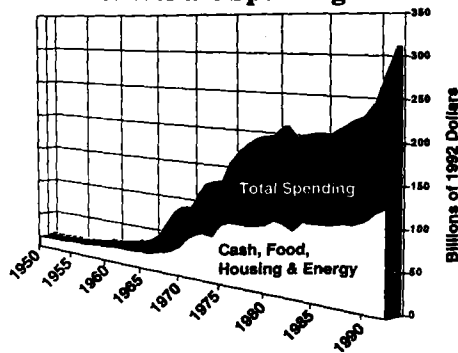
<sup>26</sup> McKinnon, Samors and Sullivan, "Business Initiatives in the Private Sector," in *Meeting Human Needs*, pp. 53-91.

<sup>27</sup> Andrea M. Haines, V. Ruth McKinnon and Patricia W. Samors, "Social Service Programs in the Public and Private Sectors," in *Meeting Human Needs*, pp. 421-54.

<sup>28</sup> Ibid.

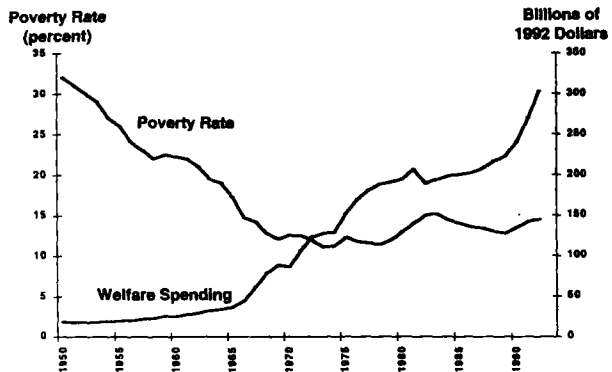
"We are spending more on welfare than on national defense."

**FIGURE I**  
**U.S. Welfare Spending**



Source: Calculations by Robert Rector, Heritage Foundation, cited in Peter S. Ferrara, ed., *Issues '94: The Candidate's Briefing Book* (Washington, DC: Heritage Foundation, 1994), pp. 122-23.

**FIGURE II**  
**The Poverty Paradox:  
The Poverty Rate and Welfare Spending**



"Since 1965, we have spent \$5 trillion on welfare programs, but the poverty rate is higher today than when the War on Poverty started."

Source: Calculations by Robert Rector, Heritage Foundation, cited in Peter S. Ferrara, ed., *Issues '94: The Candidate's Briefing Book* (Washington, DC: Heritage Foundation, 1994), pp. 122-23.

Chairman SHAW. Thank you, Mr. Ferrara.

Ms. Dunn will inquire.

Ms. DUNN. Thank you very much, Mr. Chairman.

I wanted to ask a question of Ms. Young. Ms. Michelman expressed concern that if we do not continue to give welfare support to unwed mothers who have additional children, that that will increase the abortion rate. I wonder if you agree with that statement.

Ms. YOUNG. I disagree. I think we have to address the underlying root cause of abortion. It is not because of money. That is emotional blackmail to say that I am going to have an abortion, if you do not pay for my children. What we have to address is the root cause, and that is teen sexuality. Even Donna Shalala said recently on PBS to the contrary. The problem in this country is not teen pregnancy, it is teen sexuality. In addition, we need to encourage marriage, because married women are nine times less likely to have an abortion than single women.

Ms. DUNN. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Ms. Young, in your studies, did you find any relationship between poverty and out-of-wedlock kids in the work that you were doing?

Ms. YOUNG. I am sorry, I did not hear.

Mr. RANGEL. In your work, did you find any relationship between poverty and teenage pregnancy?

Ms. YOUNG. In my experience of working in the city of Washington, I have found many cases where in-poverty children are feeling very hopeless and sort of trapped in the system and do not necessarily know any better and often do become pregnant outside of wedlock.

Mr. RANGEL. Also, was there any relationship between lack of a high school education or any employable skills?

Ms. YOUNG. I would say ignorance plays a part in it.

Mr. RANGEL. Ignorance, but lack of training is the same thing, unemployability.

Ms. YOUNG. The cause of lack of training, would be their early sexuality and their becoming pregnant and not being able to attain that type of training.

Mr. RANGEL. Let me put it another way. With those youngsters that have completed school and were working, did you find the same degree of lack of training or did you find a problem among them?

Ms. YOUNG. As high?

Mr. RANGEL. As high.

Ms. YOUNG. Not necessarily. I think that—

Mr. RANGEL. Could you agree that education and employable skills is a deterrent to the problem of teenage pregnancy?

Ms. YOUNG. I would say that discouraging early teen sexuality and encouraging marriage is the main deterrent.

Mr. RANGEL. How do you discourage sexuality? That is something God gives you, sexuality.

Ms. YOUNG. Well, you cannot do that, Congressman, you are government, but private individuals can—I work with these inner-city teens, and that is exactly what I do.

Mr. RANGEL. Don't you think someone who is going to school and working, that sexuality is not as important as it is in achieving their goals?

Ms. YOUNG. Their goals, the children I work with have beautiful dreams. They dream of being attorneys and teachers and Congresspeople. In order to achieve those dreams, there is a certain price you have to pay, and often that is not becoming involved in teen sexuality and——

Mr. RANGEL. Are you saying that teen sexuality is preventing education? I was thinking that lack of education and lack of hope and lack of dreams was encouraging——

Ms. YOUNG. Not necessarily, no. How can a child go to college, when it becomes sexually active early in life and has a child already?

Mr. RANGEL. You find the same traits of sexuality among educated children as you find among uneducated?

Ms. YOUNG. I work with inner-city teens. I do not work with older children. I can give you my experience in working with inner-city——

Mr. RANGEL. There are educated kids in the inner cities, and you must have seen them. Do you find them among the groups that you work with?

Ms. YOUNG. I am sorry, what was your question again?

Mr. RANGEL. With the children that you work with, the teenagers that have given birth to children, have you found many of these people working or having been in college or having dreams of becoming something?

Ms. YOUNG. I am sure that these children do, but welfare promotes these problems. It does not help these problems. What we are talking about is discouraging illegitimacy which takes away these children's dreams.

Mr. RANGEL. The welfare is taking away the kids' dreams and sexuality is taking away their——

Ms. YOUNG. The welfare class is taking away the children's dreams.

Mr. RANGEL. Welfare is taking away their dreams to achieve——

Ms. YOUNG. Exactly.

Mr. RANGEL [continuing]. And the sexuality is taking away from their education?

Ms. YOUNG. Absolutely.

Mr. RANGEL. Thank you for your contribution.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. Rangel.

Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Mr. Ferrara, I wonder if you could amplify on your thinking on the advantages of block grants. My understanding from your testimony is that you feel that by moving from entitlements to block grants, States would be able to dramatically reduce administrative overhead and, therefore, deliver perhaps better welfare services at a lower cost. What are the best examples of that from your own experience? Is it fair to say that you do not associate aggregate levels of spending in programs with the quality of assistance received by people or its effect on their lives?



Mr. FERRARA. Well, the main reason for the block grants is that the current system needs to be completely redesigned. So you give a block grant to the Governors and the States and say here is a clean slate, we are not going to tell you how to do it any more, here is the Federal funding, create a new system from the ground up.

Now, I have a lot of ideas as to what that new system should look like. As I suggested in my testimony, I think the best approach would be to end all entitlements. You can offer people work, and if they come to a certain place you assure them they will be able to work. If you cannot find something in the private sector, you will have them work at something else. This kind of system would change all the incentives, because you no longer are rewarding people for having children out of wedlock, you are no longer penalizing them if they get married, you are no longer rewarding them for not working. The subsidies are only tied to work.

The key problem here is the incentives. The current system has all the wrong incentives and you see the results in the track record. I can cite you chapter and verse the statistics, dramatic decline in work among the lower income groups, dramatic increase in illegitimacy and family breakup. So you look at the incentives leading to that and then you see the results leading to that. The whole system needs to be completely redone.

In addition, you need block grants because Washington does not have the answer to this, and the answers need to be tried in the communities all across the country. There is not one uniform rule here that applies everywhere. Different approaches need to be tried in different areas. Also, when you put it out in the grassroots, it will be the real Americans that will influence the policy that is done. If you do it in Washington, it will be the liberal special interest groups that will ultimately dictate what will be done, along their long-time allies in the bureaucracy.

One of the wisest men in this area is Robert Carlson who did Ronald Reagan's welfare policy for many years. He has a 3-page block grant proposal where the block grants come out of the Treasury Department, so that the regulation writers in the bureaucracy cannot pervert what is being done, and so this can truly be sent back to the States with minimal requirements.

So those are the reasons, and there are examples. In Oregon, they are introducing this kind of work plan that I described. In Utah, they have had this work plan in effect for a portion of the population and decreased the rolls by 90 percent. We should make sure that in our block grants we allow this kind of option to occur where they can actually offer people work, instead of welfare. It may be some mothers with children do not want to go to work. That is fine. They can have other alternatives. They can marry somebody who works. They can make other arrangements. But this provides a safety net based on work, and I think there are many approaches along these lines that can be tried.

You mentioned another advantage, of course, which is a reduction in administrative costs, but that is just one small part. The bigger part is the opportunity to change all the incentives and change the results.

Mr. ENGLISH. So your feeling is that we can provide the States with maximum flexibility and you have a high degree of confidence

that the States will still provide the safety net to our poorest citizens, while changing the design of the system to encourage more responsible behavior and a reduction in behavioral poverty?

Mr. FERRARA. Yes, I do, Congressman. The reason I do is because in those States the same people that elect Congressmen and Senators and Presidents are the ones electing the Governors and the State legislators, and the State officials are answerable to the same electorate that the Federal officials are.

I do not understand this notion that somehow the wisdom only resides in Washington and the democratic process cannot be trusted in some States in this country, which is an incredibly elitist attitude and is thoroughly wrong. If the people in those States can be trusted to vote for Senators and Congressmen and Presidents, they can be trusted to vote for Governors and State legislators that will fulfill their responsibilities.

Mr. ENGLISH. Thank you, Mr. Ferrara. As someone who has had a career in State government, I must say I do not understand the attitude, either. I appreciate your testimony.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. McCrery will inquire.

Mr. MCCRERY. Thank you, Mr. Chairman.

Ms. Young, it was an interesting exchange you had with Mr. Rangel, and I just want to give you the benefit of some data that you may want to use in the future when you have that kind of exchange.

As a matter of fact, for single women never having been married, the average stay on AFDC is 9.33 years. For every other category, it is about 50 percent of that. The separated category is about two-thirds of that. The really stark difference, though, and the one that is the most alarming I think is the percentage of these categories who will have AFDC spells of 10 years or more. Nearly 40 percent of single women who have never been married have spells on AFDC of 10 years or more, compared with 13.7 percent of those who have been divorced, and 10 percent of those who are widowed.

There is a clear relationship to the incidence of poverty and dependency with women who have never been married and who have illegitimate children. This comes from the "Green Book." Of course, we all rely on that. We know that those statistics are accurate.

So I think that your contention is absolutely correct that the emphasis ought to be on preventing teen pregnancies, on encouraging young women not to have babies out of wedlock, and that is part of what this hearing is all about and this effort to reform the programs that are clearly a disaster, Mr. Liederman. You were very emotional in your testimony, but, my goodness, can you not get emotional about the disastrous effects of the programs that you have been espousing for years and years and years?

Surely you would not promote a continuation of the status quo. So I am hopeful that we can work together to bring about serious reform that brings about some improvements in the lives of people in this country.

Ms. Young, in your testimony you stated that your organization supports the family cap, but you did not talk about the provision in the Contract proposal that would deny benefits to young women under the age of 18 or AFDC cash benefits and housing subsidies

to young women under the age of 18. Do you have a position on that?

Ms. YOUNG. Yes, we absolutely feel that these women would be better served to remain in their current homes and to not be encouraged to move out on their own. More money is not going to help the situation, but accountability will and I would encourage that to also remain in the bill.

Mr. McCRERY. So you agree with the provision that would deny cash benefits and housing subsidies to women under the age of 18?

Ms. YOUNG. I do.

Mr. McCRERY. Thank you.

Just one other observation, Mr. Chairman, and that is that much of the data that we hear from advocacy groups as to the results like Mr. Johnson's figures on how much Florida would have lost and all this, that is fine and well, but it is all based on worse than a static analysis. It is based on the numbers of people on welfare and children on welfare in years past. What we are talking about is changing the incentives in these programs to reduce the number of people on those programs, so that those numbers you cite really have little relevance as far as where we are trying to go. We are trying to change those numbers, and that is what this is all about.

Mr. JOHNSON. Congressman, if I may respond for a moment, the numbers are intended to show several things. The most important thing is that, in times of recession when unemployment rises and caseloads inevitably rise, the expenditures that are required from States to meet the basic needs of families and children inexorably rise, and that you need to have a financing structure in place that envisions that.

We will see another recession in this country, there is no question. We are now in a pretty good position in terms of our Nation's economic health. Unemployment is relatively low. Those caseloads will rise. The rise in caseloads and the rise in expenditures are not a reflection of behavioral changes during this period. They are a reflection of changes of economic circumstances.

Mr. McCRERY. You are exactly correct. We do have recessions and we will have another recession.

Mr. JOHNSON. We will.

Mr. McCRERY. And if you will check the record, you will see that discretionary programs at the Federal level have risen in times of recession. We have responded to those and we will continue to do so. There is no question about that.

So that reinforces my point that all these numbers you throw out to scare people have little relevance to the real world. I appreciate your advocacy, but I wish that we would be a little less emotional with these numbers when we talk about where we go from here, how do we move forward.

Mr. LIEDERMAN. Mr. McCrery, can I respond?

Mr. McCRERY. Surely.

Mr. LIEDERMAN. I do not think there is any disagreement. I am sure everybody in this room does not believe that 15-year-olds serve themselves by getting pregnant or 16-year-olds by getting pregnant. We totally agree that that is not a good idea and it would be better if they did not.

Unfortunately, we cannot control everybody's lives. The question what happens when someone does get pregnant and what course do we then take to try to move the person into the mainstream of the population, to try to make sure that the child has the same chance you want for your children or my children.

What you are suggesting and what my friend here to the right actually is suggesting is that what we should do to change the behavior is to withhold money. Somehow this notion of withholding money—

Mr. McCRERY. Mr. Liederman, I agree with that.

Mr. LIEDERMAN. Let me just suggest to you that there is no evidence at all to suggest that withholding money will change the behavior, none, zero. You are going to go down the road of allowing States to enact proposals which withhold money in the name of changing behavior, without any idea, without any impact studies, without any sense of outcome measures, and it would be at least useful to let—you know, if one State is going to try it, at least let us look at it for 2 or 3 years and see whether or not your proposition is correct. Maybe it is. I doubt that it is. But if it is, let us see it.

Let me just say something, too, about this notion of the block grants, because—

Mr. McCRERY. Mr. Liederman, my time is just about up, as you can see by the amber light there, and I just want to get a chance to respond quickly. That is what part of this is all about, giving the States a chance to act as laboratories.

Mr. LIEDERMAN. But not across the board for 10 million kids, Mr. McCrery.

Mr. McCRERY. Mr. Liederman, as I pointed out earlier, the current program is a disaster. It is hurting kids all the time.

Mr. LIEDERMAN. I agree.

Mr. McCRERY. It is part of the reason for the disastrous circumstances that some kids in this country live in. We are trying to change that, and one way we think will work is to change the incentives in the system. That is what we are trying to do. You are right, we have got to try it and we are going to try it. We are not going to be brain dead, though, after we enact this program. Some of us will still be up here talking about this and looking at the outcomes, and if it is a disaster, we can revisit that. But let us give the States a chance to try these approaches and get some experience.

Mr. LIEDERMAN. It is easy for us to say, Mr. McCrery, that—Chairman SHAW. Your time is expired, Mr. McCrery.

Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman.

Mr. Ferrara, where is your National Center for Policy Analysis?

Mr. FERRARA. The headquarters is in Dallas, and we have an office in Washington.

Mrs. KENNELLY. And do you work out of the Washington office?

Mr. FERRARA. Yes, I do.

Mrs. KENNELLY. How long?

Mr. FERRARA. How long?

Mrs. KENNELLY. Yes.

Mr. FERRARA. I have been there about 1 year.

Mrs. KENNELLY. And you were in Dallas before that?

Mr. FERRARA. No. No, before that I worked at the Heritage Foundation, and before that I worked in the Bush administration at the Justice Department. I was Associate Deputy Attorney General.

Mrs. KENNELLY. In Washington?

Mr. FERRARA. Yes, in Washington. I worked here before that, yes, I did. I live in Virginia, however.

Mrs. KENNELLY. Pardon?

Mr. FERRARA. I live in Virginia, however.

Mrs. KENNELLY. You are just so knowledgeable about what they think out there, and I just wondered if you were out there, but I guess you are here. I did not know about the National Center for Policy Analysis.

One of the premises evidently of the Personal Responsibility Act, as I sit and listen to the hearings, is that young mothers have children to get a check, and yet we have had some very well thought of witnesses that say there is no correlation, that often the young mother has an unintended pregnancy, as has happened since the world began, or the young mother has very low self-esteem, doing very poorly in school—there is that risk—and gets pregnant, and they just are not thinking about the check.

I have been convinced that there is not a correlation between the check, but other people, as Ms. Young has said, think there is. So if there is any correlation, for those who think there is, is there not a fear that there will be increased abortions as a result of discontinuing the check, or is that something I should not assume will happen? I would like to hear the two experts on this, Ms. Michelman and Ms. Young.

Mr. FERRARA. I am sorry, were you asking me that question or not?

Mrs. KENNELLY. I would love to ask you that question.

Mr. FERRARA. You see, I think the key is that—

Mrs. KENNELLY. You are so sure of yourself. This is the worst situation I have ever been involved in. It is so hard. If it was easy, we would have done it. I love it, because you are so sure of yourself, so it makes me feel good.

Mr. FERRARA. The key is that these are not unintended pregnancies. As you said, that has been an issue from time immemorial, but we have in many communities 80 percent illegitimacy rates, so something else is going on today that was not going on 40 years ago. What is going on today is that this vast \$350 billion we are talking about—

Mrs. KENNELLY. There were not unintended pregnancies 40 years ago?

Mr. FERRARA. No, there is something different. There was not an 80-percent illegitimacy rate 40 years ago, that is what I am trying to tell you. So when you have an 80-percent illegitimacy rate in some of these communities, it is not just unintended pregnancies. We have had unintended pregnancies since time immemorial, but we did not have 40 years ago an 80-percent illegitimacy rate.

So something else is going on, and what is going on is this \$350 billion that you are parachuting into these communities that is creating the life support system that allows them to pursue this activity, knowing that they will be supported in it. If they knew this

support was not going to be there, and that someone was going to have to go to work to support the child, and that they could not marry Uncle Sam, that they would have to either have a father to support that child or they would have to support the child themselves, that would change the whole cultural environment and outlook in these communities where the whole idea of marriage has been obliterated.

Mrs. KENNELLY. So putting it back in a block grant is going to solve all these problems?

Mr. FERRARA. You see, if you do a block grant, that allows new solutions to be tried, and I suggested some of the new solutions, such as offering people work instead of welfare, where you are no longer giving people money for having a child out of wedlock, where you are no longer giving people money for not working. You only give money for work, so you change all the incentives.

Mrs. KENNELLY. Is there any offer of any day care there or any job training or any going back for further schooling?

Mr. FERRARA. Well, the day care can be offered as part of the package. It can be done at the State level. The Governors can take the funds and some of the mothers who show up for work can be put to work in a day care center watching the children of some of the other mothers. They will not necessarily all go to work. Many of them may get married to someone who works, realizing now I either have to work to support the child or I need to find someone to marry who can help support the family. Or many of them may not have the children in the first place, knowing that in this new system, this new environment, if they have the child, they are going to have to go to work or somebody is going to have to go to work to support the child.

Mrs. KENNELLY. Thank you, Mr. Ferrara.

Mr. Chairman, could I hear from Ms. Young and Ms. Michelman on the correlation between the check and—

Chairman SHAW. Very briefly, because we are enforcing the 5-minute rule.

Ms. MICHELMAN. It is an important question. The assumption is absolutely incorrect that young women, teenage women get pregnant because they know they have welfare payments out there. I am just amazed, as I listen to this discussion and the discussions in the past days, that all the ills of society are being blamed on the welfare system, and that women, of course, and their behavior is primarily responsible for the failure of families to be whole and well.

Clearly, the system has to be reformed. Clearly, young women who get pregnant, it is not a healthy situation. But these are very complicated problems that are not going to be solved by taking away support from children who are in poverty and women who are in need. The goal should be to elevate the—

Chairman SHAW. I am sorry, I am going to have to cut this off.

Ms. MICHELMAN. I just want to say, Mr. Chairman, if I may—I have not said one word this whole time, but I think our goals as a Nation should be—

Chairman SHAW. Please, Ms. Michelman, this is the time of the Members to inquire.

Ms. MICHELMAN. Thank you.

Mrs. KENNELLY. Could I just put one fact on the record?

Chairman SHAW. I will give you 1 minute.

Mrs. KENNELLY. All right, I will do it in 1 minute. I have data here from the National Center for Health Statistics and it indicates that 85 percent of teen births were unintended in 1988, and I would just like to put that on the record.

Chairman SHAW. Mr. Nussle.

Mr. NUSSLE. Thank you, Mr. Chairman.

It is so frustrating to hear all of the arguments about statistics back and forth, the same statistics used to prove the same facts. Regardless of all the studies and the facts and all of the so-called evidence that is out there, I think we all agree, as Mr. Liederman pointed out, that there is a system that is broken here, and we have got to fix it. That is the bottom line.

I am not convinced that there is a direct provable evidentiary correlation between welfare payments and illegitimacy, that somebody consciously decides that they are going to go out and get pregnant just because they know there is a check. However, I think that most thinking people also would suggest that the culture that is created by welfare has also established a culture where illegitimacy is acceptable and it becomes part of the norm and part of the culture.

All of you, even though there is obviously disagreement about block grants and certainly a lot of very inflammatory statements about people's intentions, I would submit to you that I do not believe that there is any incorrect intentions here. Everybody's intentions are to help kids. I just do not believe that there is somebody up here trying to write a bill that is going to hurt children. I just do not believe that. Whether it is a block grant or whether it is a Republican proposal or a Democrat proposal, I just do not believe that. I would not serve in this place, unless I thought we were all here to try and meet the same goal.

So I get tired of, you know, we are going to take food out of children's mouths and this is obviously going to destroy children. Certainly, that is not what we want to do. I have a 6-year-old daughter and a 4-year-old son and I am not interested in destroying any children, and there is nobody up here that is.

However, I do get a little bit frustrated that, even though it is easy to attack proposals that are on the table, there are very few counterproposals, except just let us keep the same system and tinker with it a little bit. That is what is frustrating to me.

Yes, we are putting a proposal on the table that says we want help, we do not believe all of the information and all of the intellect resides in Washington, DC, we want to branch out to 50 laboratories, because we believe this is such a big problem and that the problem is different in Iowa as it is in California or different in Manchester, Iowa, as opposed to Chicago, Illinois, that we think that one size cannot possibly fit all, and we want to encourage States to do what they can to come up with the nuts and the bolts to fix the problem, with the unified goal and vision that we want to help people break the bonds of poverty and break the bonds of illegitimacy and break this culture that has been around here for too darn long that has caused these problems to escalate from the very time when we thought it was such a big crisis in the first

place, to a time now, as Bill Bennett said the other day, that if it was a crisis back in the sixties, what would you call it today with the statistics that everybody uses.

So I appreciate your testimony, but I guess my challenge would be that if you are going to come here and suggest that we are trying to do something wrong, then I submit to you I cannot do that.

Mr. LIEDERMAN. Could I respond?

Mr. NUSSLE. Let me finish. I can do that. But I would hope that we should not just tinker with the current system, because we have tried that. And I would hope that we would try and be a little bit more bold.

I mean there is a correlation between the culture and the statistics. There has to be. There cannot be any other explanation, in my mind.

I would be happy to hear your response, Mr. Liederman.

Mr. LIEDERMAN. There are a lot of proposals that people have suggested, but the reality is that, if you believe the HHS statistics that 70 percent of moms who go on AFDC come off by themselves within 2 years, half of them who go on come off by themselves within 1 year, 70 percent come off within 2 years, which means that 70 percent of the moms who go on AFDC are highly motivated to come off AFDC by themselves. No one had a 2-year cap, no one beat them over the head, no one took money away. They just come off themselves.

The problem, as you and I know, is they come back on and they come back on because they lose their health care, the job they took was a low-paying job and they could not support the family, they could not get child care where and when they need it, or their life came apart.

But if we know that we have got 7 out of 10 of the moms who go on AFDC that is a highly motivated group, an absolutely highly motivated group that is saying to us by their actions that they do not want to be on welfare because it ain't what it is cracked up to be, they want to be off of welfare, then why do we not take the limited resources that we have and concentrate on that highly motivated group of people and help them to permanently stay off of public assistance, keep their health insurance, have income disregards so that they have enough money to raise their kids, make sure they have child care where and when they need it, give them the tools to stay off of welfare permanently. That begins to be a plan that makes sense, and you could implement that plan and that plan would be child friendly. A lot of the suggestions that are being made by Governors around this country just do not accomplish any of that.

I want to correct the record, Mr. Chairman, because I said the poverty rate in Wisconsin was up 60 percent. It is not. It is the child poverty rate, children between ages of 5 and 17. The child poverty rate is up, while the dollars have been reduced in public assistance.

Chairman SHAW. I am going to have to interrupt you right there, because the time of the gentleman has expired.

Mr. LIEDERMAN. Thank you.

Chairman SHAW. Mr. Ford will inquire.

Mr. FORD. Thank you, Mr. Chairman.



Mr. Liederman, the Personal Responsibility Act suggests that the child of a teenage mother who is born out of wedlock, should not be eligible for cash benefits under the AFDC Program. Do you support that theory under the Personal Responsibility Act?

Mr. LIEDERMAN. Absolutely not, Mr. Ford. As I testified, there is no relationship between the holding back of money and the modifying of young women's behavior. When I hear my—

Mr. FORD. How do we address that problem? We know that there are problems in this area. We do not want to suggest for 1 minute that a teen pregnancy would call for that teen moving out of the house and establishing their own home and—

Mr. LIEDERMAN. No, we do not want that to happen.

Mr. FORD [continuing]. Cash benefits, food stamps and housing assistance.

Mr. LIEDERMAN. Right. We do not want young women 16 years old establishing their own household. It would not make any sense at all. They should live with their family wherever it is possible.

But let me just give you one statistic. Among our member agencies are the Crittenden Programs which are services to teen moms, and they serve the teen moms and the children. We did a quick study—

Mr. FORD. Is it sort of a group home setting?

Mr. LIEDERMAN. They are group home settings. We did a quick study of 17 of the agencies serving 1,000 kids, and we found that half the kids said they could not go back to their own home for fear of further sexual or physical abuse. Almost all of the kids that come to our programs have been physically or sexually abused. So you have to be careful when you talk about this notion of staying with the family. Where it is possible to stay with the family, the young woman should be with the family. That would be the best place.

But do not take away the cash benefit. I heard Senator Gramm the other day—do not take away the cash benefit.

Mr. FORD. Should we enter into some type of contract with the baby's grandmother assuming that the mother and the child stay in the home of the baby's grandmother?

Mr. LIEDERMAN. Where it is safe to do that.

Mr. FORD. Maybe we pass the cash benefit on to the grandmother, rather than the mother, enter into some type of contract with the grandmother and the mother in reference to the mother of the child going back to school, graduating from high school until such time she would receive a degree or something and—

Mr. LIEDERMAN. You are on the right track. We want the young woman to finish high school. That is the first order of business. I would hope she would go on and get further education. We want her to get part-time job experience so she gets good work experience and begins to develop some good self-esteem.

My friend here talked about self-esteem. It is absolutely critical that young people develop good self-esteem, have a sense of where they are going in life. If we can help them to do that, they are not going to have more children.

Mr. FORD. What if we deny the mother the cash benefits and pass it on to the grandmother to make sure that the mother—

Mr. LIEDERMAN. I think it is important, Congressman Ford, to teach the young mom responsibility. We are talking about assuming responsibility—

Mr. FORD. We want her to go back to school.

Mr. LIEDERMAN. Sure.

Mr. FORD [continuing]. To go back to school and finish. She is under the supervision of her mother, pass the cash benefits on to her mother, rather than trying to teach this young mother who is 15 or 16 years old these responsibilities.

Mr. LIEDERMAN. The likelihood is that it is an academic argument, because the likelihood that the money is going into the household, so whether you target it to the grandmother or you target it to the mother, the money is going into the household and it is going to be used to take care of basic needs.

We are not talking about a lot of money here. We are talking about a pittance. I mean this is a small amount of money. But, as Senator Gramm said, he does not understand how families can raise children on the amount of money that they have in middle-class families, let alone poor families.

Mr. FORD. Ms. Young, can I get you to respond to that latter part about the cash payments, if there were cash payments to be made to the 15- or 16-year-old, that it would be passed through to her mother, which would be the grandmother of the kid?

Ms. YOUNG. First, I think we need to get away from the idea that government is the one that is responsible for raising these children. It is not. We first have to bring some responsibility for the fathers, and I have not heard very much talk about paternity establishment.

Mr. FORD. I am in support of that, totally in support of that, but that is not my question, Ms. Young.

Ms. YOUNG. Often you will find in these cases—and I can give you some more supporting documentation on this later—often these fathers of the teenage girls are older, not necessarily minors themselves, and they should be held absolutely financially responsible. That is the first thing.

Mr. FORD. I am in agreement with that.

Ms. YOUNG. The second line of defense is the block grants to the States can better meet these needs on a State level than on the Federal level. We failed. We have failed. We have got to try something different, where there is better accountability and where we can do a better job of keeping track. These girls can stay in the home, and if there is abuse in the home, then the—

Mr. FORD. I am sorry, Ms. Young, but my time is expired.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin will inquire.

Mr. LEVIN. Thank you very much.

Mr. Ferrara, let me just ask you about the block grant idea. I am in favor of much, much more State flexibility, but there is the issue of block grants versus some version of the President's entitlement system.

What happens if we block grant and we just stabilize it at a certain level? What happens in times of recession? Right now, there is a system both for AFDC and also for food stamps and others,

and the changes from year to year can be rather dramatic. What do we do about that?

Mr. FERRARA. First of all, the Congress would have the ability to increase the block grant in times of recession, if they thought that was desirable. The State governments could add additional funds in times of recession, if they thought that was desirable. Also, in my view, if they do this right, I think that the dependency population will be reduced so much with the changes in incentives, that that is really not a central concern. I think if this is done right, you will not need anywhere near the current level of funds.

Mr. LEVIN. And you think that is true for food stamps?

Mr. FERRARA. Yes. When I am talking about current level of funds, I am counting all the programs, AFDC, food stamps, public housing, Medicaid, all the funds in the programs that add up to that \$350 billion I mentioned before.

Mr. LEVIN. You have seen the data about the increases in food stamps, for example, during periods of recession. Many of the families that go onto food stamps are working families, are not people on welfare. What you are saying is either there will be an emergency appropriation by the Federal Government or leave it to the States?

Mr. FERRARA. Both the Federal and State government would have that capability during a recession. You appropriate these things from year to year, and the block grant will come under discretionary appropriations. As one of the other Members indicated, you have a history of increasing those appropriations during times of recession and you would be perfectly able to increase the block grant, if that would be necessary during a recession.

Mr. LEVIN. Wait 1 minute. During recessions, you take the recession in the early eighties, the States that were hard hit had budget deficits. Now, tell me how States that go into deficit are going to be able to pick up the increased costs of food stamps for working families.

Mr. FERRARA. Congressman, if you had a situation like 1982 again and you thought there were many States that were not able to respond to the problem, you would be able in Congress to increase the block grants to those States, so you could address the problem perfectly well in the block grant system.

Mr. LEVIN. Remember there were deficits in the U.S. Government, too. So you are saying that, for all of the safety net, what we should do is to withdraw any consideration of an automatic increase in times of greater need and leave it to the Federal Government and to the States across the board, food stamps, AFDC, whatever?

Mr. FERRARA. Exactly, Congressman. How can you have an automatic increase? It may not be justified all the time. I think Congress needs to look at it on a case-by-case basis.

Mr. LEVIN. I think we need to look at it, but I think we ought to understand for working families what the potential implications are.

Let me ask you also about charities. We have had some testimony from charitable organizations here about their ability to pick up the slack and a number of them, including the religious charities, say that they do not simply have that capacity, that simply

to say to the charities you pick up the gaps is not realistic. Your response to that is?

Mr. FERRARA. Congressman, under our proposal they would have access to more funds, because they would be able to get—what I proposed in addition to the block grants was a tax credit for private contributors and those funds would come out of the block grants, so the private charities would be able to compete for the block grant funds and, where they were doing a better job, the taxpayers would be able to shift the funds to those groups, so they would have new resources.

We show in one of our studies that in fact it is the private sector charities that get there first. If you have an ideal system, what you want is a system that gets people charitable assistance quickly, but it is hard to get it for a long period of time, and that is exactly what you have in the private charities. They are the ones where you get immediate assistance today, if you need it.

The Federal approach is exactly wrong. It is hard to get on right away, but then, once you are on, you have millions of people who stay on for years and years.

Mr. LEVIN. My time is up, but I think it would be interesting to hear from the charities whether they support your proposal.

Mr. FERRARA. Many do, sir, and Congressmen Kolbe and Knollenberg introduced it earlier this week in legislation.

Chairman SHAW. The time of the gentleman has expired.

Mr. Levin, there is an interesting food stamp expenditure that is going on. I notice when you brought up the recession, there seems to be a lag time here between 1981 and 1982. The expenditure on food stamps actually dropped. There was a sizable increase in 1983, but that shows that there is a lag time in which the Congress can react. That is contained in the—

Mr. JOHNSON. Mr. Chairman, if I could just clarify. In 1981, you may recall there were a series of food stamp cuts that were passed by Congress at the initiative of President Reagan, and that is why you would see the drop between 1981 and 1982.

Chairman SHAW. It went from \$11.8 to \$11.6 billion.

Mr. JOHNSON. That is right.

Chairman SHAW. Was there an increase then in 1983?

Mr. JOHNSON. Yes, I suspect there was. What I am suggesting—

Chairman SHAW. Let me ask a question. Was it a congressional increase? The law did not change then.

Mr. JOHNSON. The law changed in 1981, Mr. Chairman, and it reduced eligibility for food stamps.

Chairman SHAW. It changed in 1981 and it dropped substantially from 1981 to 1982. Then the law did not change between 1982 and 1983, and there was a substantial increase.

Mr. LEVIN. Would the Chairman yield?

Chairman SHAW. I think what is shown there is that there is a reaction time.

Yes, I would be glad to yield.

Mr. LEVIN. Mr. Chairman, I think what those figures show is that the drop that occurred from 1981 to 1982 was because of the change in the food stamp law which diminished the eligibility groupings for food stamps. But despite that narrowing of eligibility,

because of the recession in 1983, there was a substantial increase in the number of families using food stamps. If Michigan is any experience, a lot of that increase came from working families that needed food stamp help because they were laid off through no fault of their own.

Chairman SHAW. I understand that. Reclaiming my time, the only point I am trying to make is that there is a lag time in the figure even under existing law.

I would like to thank this panel. I think all the Members have inquired now.

I would now like to call up the third panel. We have Darryll Grubbs, president of the Child Support Council; Roberta Spalter-Roth, director of research, Institute for Women's Policy Research; Diana Pearce, director of Wider Opportunities for Women; Hon. Arthur Flemming, who is chair of Save Our Security Coalition, former Secretary of Health, Education and Welfare; and Hon. Randy Johnson, who is a county commissioner in Hennepin, Minnesota, and third vice president of the National Association of Counties.

Mr. Grubbs, if you would proceed. I have all of your written statements which are being made a part of the permanent record. You may feel free to summarize or proceed as you wish.

#### **STATEMENT OF DARRYLL W. GRUBBS, PRESIDENT, CHILD SUPPORT COUNCIL**

Mr. GRUBBS. Thank you, Mr. Chairman. Chairman Shaw and Members of the Human Resources Committee, it is a pleasure to be here today.

I am Darryll Grubbs, president of the Child Support Council. We are a nonprofit, nonpartisan organization whose primary goal is to improve child support enforcement and establishment through a strengthened public/private sector partnership. You usually do not get to hear very much about the private sector as being part of the solution to the child support problem, but this is in fact going on throughout the United States and is a relatively recent phenomenon.

In fact, in many areas the private sector is leading the way to improving child support enforcement. Furthermore, private companies today are actually running and operating a number of State and local title IV-D child support enforcement programs throughout the United States. And perhaps even more surprisingly, some of those companies have very familiar names, such as Lockheed and Arthur Andersen.

Privatization offers many attractive options to State and local child support agencies. I will not list them all, but they are included in my written statement. There are other ways that the private sector is helping improve child support enforcement today, including collection contracts, automating payment processing and paternity testing throughout the United States. Some of the companies that are members of our organization will also be testifying on Monday and can provide you more details about the way in which they are serving child support programs.

The private sector brings innovation and resources to the child support program. Wherever there is a problem, it seems there is

a private company that is willing to help step up and try to address that problem. It is extremely fortunate, because solving the tremendous consequences resulting from out-of-wedlock births and uncollected child support will require all the efforts, resources, technology and manpower that the government and the private sector can collectively bring to bear.

I would like to briefly address a few of the difficulties that we see with the existing child support program and how they came about. The current program, as you know, has met with only marginal success. The primary reason for that marginal success is that the IV-D Program is overworked and overextended, as are the IV-D agencies operating this program. We believe this has occurred due to the overwhelming number of Federal mandates that have been imposed and added increasingly in recent years to the IV-D Program, the broadened scope of the IV-D Program, and the expanded number of those who are to be served by the program. We believe that this situation is continuing.

A number of the proposals pending in Congress would expand child support services to one of universal coverage, including those who have not chosen to even enter the IV-D Program. We think this is a trend that must be seriously reconsidered, and other alternatives proposed.

The Child Support Council specifically recommends a few alternatives that recognize what we believe is a new political and fiscal reality today, which is that government cannot solve all the social problems in the country, nor can it afford to pay for all of the solutions. Accordingly, the Child Support Council recommends the following:

First, there must be a prioritization of the IV-D caseload. The government's program must go back to serving those most in need, which is AFDC and low-income non-AFDC clients. There is a proposal pending in Congress, that was sponsored by a Democrat, that would actually require the IV-D Program to only serve that population.

We also believe that much greater efforts must be made to promote paternity establishment throughout the United States. These programs include expanding voluntary acknowledgment programs and providing educational efforts aimed at discouraging unwed teen pregnancy.

We also believe all new and modified child support orders in State IV-D caseloads should be required to provide for automatic late payment penalties. The penalties should be applied to the costs of operating State IV-D agencies or to reducing fees charged non-AFDC clients.

Next, Federal child support policies should encourage the expansion of private sector participation in the IV-D Program whenever use of a private sector business would result in government cost savings and improve the ability of State and county IV-D agencies to increase establishment and collection of support.

Next, instead of creating new federally operated systems for child support enforcement as contained in some congressional proposals, Federal law should encourage and facilitate State efforts for creating interstate compacts, networks and agreements by which child support information would be shared among States.

Congress should also begin to encourage non-IV-D administered programs to monitor all new child support orders from the day they are issued, and to have in place systems to automatically and immediately institute enforcement of any delinquency. No other single factor has as much impact on improving compliance with payment of child support than occurs through monitoring of payments from the day they are issued and the immediate and automatic enforcement of late payments. These systems would help reduce future IV-D Program costs by preventing a large percentage of cases from becoming chronically nonpaying and entering the IV-D system.

Thank you very much.

[The prepared statement follows:]

# **TESTIMONY OF DARRYLL W. GRUBBS CHILD SUPPORT COUNCIL**

Chairman Shaw and members of the Human Resources Subcommittee, it is a pleasure to be here today. I am Darryll Grubbs, President of the Child Support Council (CSC), a non-profit, non-partisan association whose primary goal is to improve child support establishment and enforcement through a strengthened public-private sector partnership. Accordingly, today, in my testimony, I will focus on welfare reform proposals relating to child support enforcement.

My perspectives about the child support enforcement program result from my personal experience in child support enforcement that began over seven years ago. From 1987 through 1991, I was an Assistant Attorney General in the Child Support Enforcement Division of the Texas IV-D agency.

As a result of the innovations that occurred within the Texas IV-D program during the period from 1987 to 1991, it was recognized as the "most-improved" program by both the National Child Support Enforcement Association (NCSEA) and this Subcommittee.

Despite our progress in Texas, I left the Attorney General's office early in 1992 because I reached the conclusion that the problem of unpaid child support in the United States could not be solved by the efforts of government operated IV-D agencies alone. I also came to recognize that in an era of growing concern about budgetary deficits in Washington, and in almost every state capital, it was unrealistic to expect the federal and state government to bear the entire cost of operating the child support enforcement program.

It is as a result of these concerns that I established the Child Support Council and began working on, writing about, and promoting solutions to the child support problem that involve a much greater private sector participation.

## **THE CHILD SUPPORT COUNCIL: PRIVATE SECTOR PARTICIPATION IS NECESSARY FOR SOLVING THE CHILD SUPPORT PROBLEM**

The membership of the Child Support Council (CSC) is composed of companies (listing attached) that are leading the way in the "privatization" of the child support enforcement program. This privatization is occurring in a number of different ways. Increasingly, within just the past several years, our member-companies are actually operating local Title IV-D child support enforcement offices in several states, including Tennessee, Nebraska, Virginia and Mississippi. Even more surprising, perhaps, is that among the private companies operating and competing to operate state and county IV-D offices and programs are some with very familiar names, including Lockheed and Arthur Andersen. They are among a growing number of companies, many of whom are our members, that are assuming from state and county government the responsibility for operating Title IV-D program activities, including everything from paternity establishment to enforcement and collections.

This particular type of child support privatization is occurring because private companies offer many valuable advantages to state and local government's trying to quickly improve their child support enforcement programs. And although privatization of Title IV-D child support enforcement programs is a relatively recent phenomenon, some of the benefits of IV-D privatization are already being seen and include the following:

- companies may have available greater resources than the government IV-D agency, and can "invest" them to improve program operations;
- private contractors may be able to move more quickly in acquiring new equipment and personnel since they may not be required to follow complex procurement, purchasing and hiring procedures of government agencies;



- private contractors operating child support enforcement programs can often provide benefits to workers which increase productivity but that are not permitted to state employees, such as incentives and cash bonuses;
- private companies can acquire and bring into their operations "outside" experts and skilled consultants who may not otherwise be available for hire by the government IV-D agency (in fact, private child support contractors in recent years have hired many experienced and highly respected former government child support administrators and personnel);
- contractors may be able to operate a IV-D program more cost-effectively than a government agency since they can utilize temporary and part-time subcontractors and perhaps minimize expenses of employees;
- companies obtaining long-term contracts with a state or county to operate its IV-D program may be able to provide greater continuity of management and operation (and perhaps reduce management and personnel turnover) than the government agency that is subject to political change and influence;
- private contractors providing IV-D services may have greater incentives to make capital improvements and upgrades in physical operations because they can "invest" in these improvements with the prospect of recovering their investment and, hopefully, some profits, while government IV-D agencies are reimbursed only for their current IV-D operating costs; and,
- private contractors hired to perform child support services can provide the IV-D agency with an alternative to hiring additional government employees, a consideration that is increasingly important during times of frequent and prolonged government hiring freezes.

There are other ways in which private companies are helping state and local IV-D programs. Several companies have had collections contracts with state IV-D agencies during the last couple of years and have been responsible for dramatically increasing child support collections in Massachusetts, Arizona, Texas, Georgia, and Tennessee, among others. In addition, one of our members has automated the child support payment processing system for the entire State of New York. Also among the CSC's members are two of the nation's largest paternity testing laboratories that today provide 70 percent of all paternity testing for state and local child support enforcement agencies.

The number of ways in which the private sector is helping to improve child support establishment and enforcement efforts throughout the United States is growing every day. Whenever IV-D programs identify a problem, or seek innovative solutions, it seems that there is a business willing to help and to offer services and resources. And that is extremely fortunate, because solving the tremendous problems resulting from out of wedlock births and uncollected child support will require all the efforts, resources, technology and manpower that government and the private sector can collectively bring to bear.

## **GOVERNMENT ALONE CANNOT SOLVE THE PROBLEM OF UNPAID CHILD SUPPORT**

As the members of this Subcommittee know, the fact that billions of dollars of child support goes unpaid each year, and hundreds of thousands of children will never receive child support because paternity will never be established, is a national tragedy.

Certainly, if there were no limitations on the resources and funds available to the federal government, it would nice to contemplate a system where paternity could be quickly and conclusively established in every out of wedlock birth, and anyone needing a delinquent child support order enforced could obtain immediate, prompt and free services from a government child support enforcement agency. Unfortunately, today's fiscal and political realities do not make this a likely scenario.

As a result, the Child Support Council is proposing solutions that will permit those most in need of child support enforcement services to continue being served first and without cost by the government child support enforcement program. Others having less need will be provided some options in obtaining timely and effective services, and those who have adequate financial resources will be asked to help pay for some of the costs of services provided to them. Finally, those who have avoided their obligations of financial support to their children will be required to pay a significantly larger part of the costs for enforcing support orders than they do today.

Finally, the Child Support Council's recommendations to improve child support enforcement call for leaving the operation of the IV-D program at the state and local level. This reflects the view of most CSC members who believe that local control over this vital effort is best and offers the greatest opportunity for innovation and improvement. While there are proposals pending in Congress today that would partly or totally federalize the operation of the Title IV-D child support enforcement program, we believe such efforts are untimely and offer no greater likelihood for success.

Before identifying the ways in which the Child Support Council believes child support enforcement can be improved in the United States, however, it is necessary to first identify a couple of fundamental and underlying reasons why the current Title IV-D child support establishment and enforcement program is not able to timely and effectively serve its clients.

### **THE ORIGINAL OBJECTIVES OF THE IV-D PROGRAM, ESTABLISHING PATERNITY AND AFDC RECOVERY, ARE BEING ABANDONED BECAUSE OF NEW FEDERAL MANDATES**

Based upon various studies of the child support program, and through discussions with those at the state and local level who perform child support enforcement activity, the Child Support Council has identified several basic and fundamental situations that exist in the United States that must be changed if the child support enforcement problem is to be solved.

Federal law originally required the IV-D program to serve just those applying for AFDC, and who were automatically referred to the IV-D agency for paternity establishment and child support enforcement services. Later, the federal government expanded the program's responsibilities to serve anyone who voluntarily applied for IV-D services, and regardless of their income or relative need. This occurred, apparently, on the theory that anyone not receiving child support and not already on AFDC was likely to turn to AFDC sooner or later. Again, several years later, federal law was changed to require the IV-D program to automatically serve all Medicaid recipients as well.

More recently, new federal laws have continued to expand the IV-D program by requiring IV-D agencies to automatically review and modify child support orders for anyone

requesting it (AFDC or non-AFDC). Title IV-D programs are now also required to ensure that every new or modified child support order (not just those in the IV-D caseload) provide for automatic wage withholding, and to monitor its implementation, whether or not this action has been requested by either a custodial or non-custodial parent.

This trend in federal law toward expanding the scope of the IV-D program and to becoming one that provides "universal" coverage in certain areas is continuing. Several proposals pending in Congress today create new requirements that further expand the scope of universal coverage of the IV-D program. These requirements will mean new costs for federal and state governments and a broadening of direct federal participation in the operation of IV-D programs.

Some of these proposals pending in Congress would require states to establish registries of all new child support orders (not just IV-D cases) issued by the courts in every state. They would also establish a federal "Child Support Registry," to be operated by a designated federal agency, and to which all states would be required to submit copies or abstracts of all child support orders issued in the states.

Another proposal contained in some of the pending welfare and child support reform bills would expand the IV-D program to mandate that all states require their employers to report all newly hired employees to a state entity for purposes of determining whether child support is to be withheld from the newly hired employee's paycheck. The state, in turn, would be required to report that information to a designated federal agency that would operate a giant national clearinghouse of information from which states would attempt to match child support obligations against newly hired employees located in any state.

While the concepts behind these proposals have merit, the legislation itself reflects a continuing federal attitude toward expanding the IV-D program far beyond its original goals and objectives. These proposals would require state and local IV-D agencies to exercise jurisdiction over cases and individuals who are not part of the IV-D program. These proposals continue to promote the involvement of federal agencies in an operational role that has been traditionally left to the states. Furthermore, the result of these proposals, and the mandates over the last 10 to 15 years, is added burdens on IV-D agencies at a time when most are struggling to serve all those who are newly eligible for IV-D services. Finally, implementation of new programs that further expand the universal application of the IV-D program makes it increasingly difficult for IV-D agencies to perform their original and fundamental objectives of establishing paternity and recovering AFDC expenditures.

In fact, well over a million children are born outside marriage each year, but paternity is established in only one-third of the cases. The more than 600,000 annual cases of childbirth that have no paternity established are simply added to the backlog from previous years. The establishment of paternity is particularly important since it is always the first step in the government agency's efforts to meet its goal of collecting child support.

With respect to the 7.5 million AFDC child support cases, which account for 44 percent of the fiscal year 1993 caseload, collections were made in only 11.7 percent of the cases, a decrease of 0.6 percent from 1992 and an increase of .7 percent since 1985. In fiscal year 1993, the collections in these welfare cases represented a recovery of only 12.10 percent of the AFDC paid out during the year, an improvement of just 0.6 percent from 1992 and only 4.8 percent since 1985.

#### **THE EXPLOSIVE GROWTH OF NON-AFDC CASELOADS**

From fiscal years 1985 to 1993 the number of non-welfare cases in the IV-D system rose by well over 100 percent--far outstripping the increase in the number of welfare cases, which rose only 21 percent.

Unfortunately, federal legislative efforts in recent years designed to help IV-D

programs obtain the tools to better establish and enforce cases, such as the income tax refund intercept program, have created another set of problems. In many instances, those seeking help with child support enforcement services are forced to turn to the IV-D agency because the IV-D agency is the only that is legally able to utilize certain effective enforcement tools.

Another reason for the increase of non-AFDC caseloads in IV-D agencies is that, in most states, IV-D services are available without cost to the client. This has resulted in a 435 percent increase in administrative expenditures for non-welfare cases since fiscal year 1984.

Because of this explosive non-AFDC growth in cases and costs, the IV-D program is unable to provide many of its clients with timely and effective child support establishment and enforcement services. Between 1979 and 1993, the Title IV-D caseload grew from 4.1 million cases to over 17 million cases. In fiscal year 1979, when the government program was still fairly new, there were collections on just 17.1 percent of the IV-D caseload nationwide. In fiscal year 1993, the rate of collections had risen to only 18.3 percent. This is an increase of just 1.2 percent in a fifteen-year period, in spite of improved enforcement techniques.

An overworked, overextended child support enforcement program does not serve anyone very well. It is time for "reinventing" the IV-D program in light of the current fiscal and political realities.

#### **THE CHILD SUPPORT COUNCIL'S RECOMMENDATIONS FOR "REINVENTING" THE NATION'S CHILD SUPPORT ENFORCEMENT PROGRAM**

The Child Support Council's recommendations address many of the systemic problems that have permitted only limited success by the IV-D program. Our goal is to address these systemic problems through some bold and innovative initiatives, while trying to avoid new programs and activities that require increases in current IV-D federal spending or more federal bureaucracy. The CSC's recommendations are as follows:

- (1) The government's child support enforcement program must be prioritized. State IV-D programs should continue serving those most in need--AFDC and low income non-AFDC clients (those below 175 percent of the poverty level). Beyond this target population, federal law should permit a state to choose whether to serve higher income non-AFDC clients through the IV-D program. If a state decides to serve higher income non-AFDC clients through the IV-D program, then the state IV-D agency should be required to recoup at least the federal share of the costs for serving these clients through fees charged for services.

As noted earlier, originally, the IV-D program served only AFDC clients. Thereafter, based upon the belief that a substantial number of low income custodial parents also might turn to welfare unless child support was enforced, the IV-D program became one to which anyone is entitled to services, regardless of income or ability to pay. This policy is part of what has caused the explosion in the caseloads and costs of the IV-D program.

The GAO, however, in a 1992 report revealed that 53 percent of the individuals requesting non-AFDC child support services had incomes exceeding 150 percent of the poverty level, 42 percent had incomes exceeding 200 percent of the poverty level and 21 percent had incomes exceeding 300 percent. The GAO concluded by stating that "...many non-AFDC clients being served may not be within the low-income population to whom Congress envisioned providing services."

The same GAO report found that if all non-AFDC clients of IV-D agencies were charged a collection fee equal to just 15 percent of the child support collected by the IV-D agencies on their behalf, it would cover all the IV-D programs' costs for serving this non-AFDC clientele.

- (2) Early paternity establishment should be one of the highest, if not the highest, priority of the IV-D program. The problems facing the United States as a result of the increasing number of births out of wedlock where there has been a failure to timely establish paternity are well known. Aside from the legal rights (such as inheritance) and other physical and emotional benefits that children born out of wedlock and without benefit of paternity may never receive, the failure to conclusively determine the identity of the biological father at birth has created a major impasse in the ability of child support enforcement agencies to obtain and enforce support orders for these children.

To promote even greater efforts by state and local IV-D agencies to pursue paternity establishment, the CSC recommends that enhanced federal IV-D funding (90% matching rate) be extended to include all costs related to parentage establishment efforts, including efforts for obtaining voluntary acknowledgements in birthing hospitals, and for educational efforts aimed at discouraging unwed teen pregnancy. (Currently, just the cost of parentage testing is reimbursed at the 90 percent match rate.)

[There is one caveat to voluntary acknowledgements of paternity that needs to be noted. In our haste to identify a "father," we must be careful not to deprive alleged fathers of basic due process considerations, including clear notice of the likely obligation that will result from signing a voluntary acknowledgement form. Also, we believe it would be prudent to encourage parentage testing as part of the voluntary acknowledgement process, and to provide that paternity testing be an option in hospital paternity establishment programs in large urban hospitals. There are a number of reasons why this would be desirable, but one of the primary reasons is to minimize the likelihood of later legal challenges to a voluntary acknowledgement. The results from a parentage test identifying the person who signed the voluntary acknowledgement as the biological father would make it extremely unlikely that a judge would reverse because of a later claim of lack of notice or fraud in signing an acknowledgement form.]

- (3) All new and modified child support orders in state IV-D caseloads should be required to provide for an automatic late payment penalty. The principle of "pay now (on time) or pay more later" is part of almost every other kind of recurring billing procedure (loans, utility bills, etc) and should be part of the routine payment process for child support payments in the United States. Those who do not pay their child support on time should be penalized. The penalties should be applied to the costs of operating state IV-D agencies or to reducing fees charged to non-AFDC clients (proposed in #1 above).
- (4) Federal child support policies (including current and pending regulations) should encourage the expansion of private sector participation in the IV-D child support program. This should occur whenever use of a private sector business would likely result in government cost savings, prevent the need for hiring new government employees, or improve the ability of state and county IV-D agencies to increase paternity and child support order establishment, or the collection of support on delinquent child support accounts.
- (5) States laws should provide that the results of genetic testing that determine paternity are presumed to be legally "conclusive" and may not be rebutted or contested (except for very limited and narrow exceptions.) This will facilitate paternity establishment throughout the United States and greatly reduce the number of costly court proceedings.
- (6) Instead of creating new federally operated systems for the child support enforcement program as contained in some Congressional proposals, such as federally operated databases for maintaining state issued support orders and employer new hire reports, federal law should encourage and facilitate state efforts for creating interstate

compacts, networks and agreements by which state generated data that is valuable to child support enforcement efforts would be shared among states. In essence, state agencies, and not federal ones, should operate these data sharing systems.

- (7) Information maintained by federal agencies to assist in establishing and enforcing child support, and which is presently made available to state IV-D agencies, should also be made fully available and accessible to private child support enforcement contractors operating IV-D programs and to reputable private child support collection agencies that meet acceptable state regulatory rules for safeguarding information and maintaining confidentiality of the information.
- (8) Reputable private child support collection agencies should be permitted to submit cases to IV-D agencies for IRS intercept. The IV-D agency should be given authority to submit the case for IRS intercept without first having to make it a IV-D case over which the IV-D agency would then have to assume full responsibility for all enforcement. Implementation of this recommendation would help make it possible to keep cases out of the IV-D system that would otherwise have to become IV-D cases simply to utilize IRS intercept.
- (9) Congress should encourage states to begin "non-IV-D" administered programs to monitor all new child support orders from the day they are issued and to have in place systems to automatically and immediately institute enforcement of any delinquency. No other single factor has as much impact on improving compliance with payment of child support than occurs through monitoring of payments (from the first day ordered to be paid) and the immediate and automatic enforcement of any late payment. These systems would help reduce future IV-D program costs by preventing a large percentage of cases from becoming chronically non-paying and entering the IV-D system.

There are a number of studies that have shown that child support cases monitored from the day they are issued through the end of the period of obligation, coupled with immediate enforcement of delinquency, results in paying rates as high as 70 to 80 percent. To implement such a system throughout the United States will be a substantial undertaking, but one which would do more to improve compliance with child support obligations than anything else.

Again, as with our earlier recommendations, this effort does not need to fall on the IV-D program or even paid for by taxpayers. Instead, these non-IV-D monitoring and enforcement projects can be operated by local or county governments using only revenue generated from a minimal monthly fee assessed against the obligor (and obligee, if desired).

[In addition to the advantage of not having to be taxpayer funded, these systems do not even have to be operated by government agencies. There is just such a program about to begin in Dallas County, Texas that should be closely watched. Dallas County officials have awarded a contract to a leading private child support enforcement contractor, Maximus, Inc., a company which was also selected by the State of Mississippi to operate its IV-D program. Maximus will monitor all new support orders issued in Dallas County's courts and take automatic and immediate enforcement action on any delinquency. This system will not use federal, state or local taxpayer dollars. Instead, the cost of running the program will come from a nominal monthly fee (about \$10) that will be collected from every non-custodial parent. If necessary, additional revenue to operate the program could be generated by "late payment penalties" imposed on delinquent obligors.

If this effort is successful in Dallas, and paying rates of 70 to 80 percent are achieved, as expected, there is no reason why this monitoring and enforcement program could not be replicated throughout the United States, using private child support enforcement businesses to operate the programs. For the federal government,

every case that can be handled effectively outside of the IV-D process means IV-D workers can spend more time on cases they already have, including AFDC cases that recoup federal and state government costs. ]

- (10) Congress should require the creation of a permanent advisory committee to the federal Office of Child Support Enforcement (OCSE) to be named by the President and top Congressional leaders. Included on this advisory committee should be representatives from all interested sectors within the child support community, including state and local IV-D officials, custodial parents, private sector companies, and family law attorneys and judges.

The initial and immediate goal of this child support advisory committee should be a complete review of all current mandates of the IV-D program. These numerous mandates (including some which conflict), should be carefully reassessed and reconsidered in relation to available federal IV-D funding. Ongoing reassessment of IV-D program priorities should be a permanent responsibility of this advisory committee. In developing its recommended IV-D program priorities, the advisory committee should consider and identify ways in which non-IV-D governmental entities and private child support businesses can be fully integrated in a comprehensive national effort to improve the establishment and enforcement of child support obligations. This effort should include identifying all legal enforcement tools that are available to IV-D agencies and making available those that would be appropriate for use by non IV-D governmental entities, private attorneys and reputable child support collectors.

Finally, the advisory committee should work with OCSE officials to develop performance-based audits which provide assistance and direction to state and local IV-D programs in pursuing attainment of established IV-D program priorities.

#### **CONCLUSION: A REASON FOR HOPE**

In closing, rather than being discouraged by the present situation of a desperately overloaded IV-D child support system, and the declining availability of federal and state tax dollars, there are ways in which the nation's child support establishment and enforcement effort can be dramatically "reinvented" to achieve better results with less government resources. This will not occur overnight, and those who are without child support, as hard as it may be, will have to continue being patient.

However, the Child Support Council believes that its recommendations provide a realistic and fiscally responsible plan that, if enacted by Congress and implemented throughout the United States, will effectively address the underlying causes of the current child support enforcement system's marginal performance.

As noted throughout this testimony, the CSC does not believe the solution to the child support enforcement problem can come through efforts by IV-D agencies alone, or by the creation of new federal agencies or expanded federal bureaucracies, or through other efforts which rely exclusively on taxpayer funding, as some might advocate.

Instead, the CSC believes that solutions will come from a continually evolving cooperative venture between IV-D and non-IV-D state and local government agencies working together with private sector businesses and companies, such as those which are members of the CSC. Their combined resources, talent and penchant for innovation will one day bring about a comprehensive system of child support establishment and enforcement. In that system, each of these public and private entities will play an important and critical role in effectively, timely and economically serving all custodial parents and their children in receiving the support for which they have a legal and moral right.

Thank you, Mr. Chairman, and members, for this opportunity to present our views. We hope they are of help to you as you continue your efforts to solve the child support problem.

Current Listing of Member Companies of the  
Child Support Council

(January, 1995)

Automatic Data Processing (ADP)  
Roseland, New Jersey

Child Support Assistance Network, Inc.  
Houston, Texas

CSE\*Child Support Enforcement  
Austin, Texas

Complete Equity Markets, Inc.  
Wheeling, Illinois

Cummins-Allison Corporation  
Indianapolis, Indiana

David M. Griffith & Associates, LTD.  
Bay City, Michigan

Fairfax Identity Laboratories  
Fairfax, Virginia

Genetic Design, Inc.  
Greensboro, North Carolina

Grubbs, Laramey & Associates  
Austin, Texas

Lockheed Information Management Services Co.  
Los Angeles, California

MAXIMUS, Inc.  
McLean, Virginia

Mediation Services  
Chapel Hill, North Carolina

Network Six, Inc.  
Warwick, Rhode Island

Roche Biomedical Laboratories, Inc.  
Burlington, North Carolina

Service Design Associates  
Indianapolis, Indiana

Technology Management Resources  
Omaha, Nebraska

Unicom  
Anchorage, Alaska



Chairman SHAW. Thank you, Mr. Grubbs.  
Ms. Spalter-Roth.

**STATEMENT OF ROBERTA SPALTER-ROTH, DIRECTOR OF  
RESEARCH, INSTITUTE FOR WOMEN'S POLICY RESEARCH**

Ms. SPALTER-ROTH. Good morning, Mr. Chairman and Members of the Committee.

I am Roberta Spalter-Roth and I am director of research at the Institute for Women's Policy Research, also known as IWPR. I thank you for the opportunity to testify here today. I want to say that I am just back from Iowa, where I talked to 200 workers and clients in Iowa's Family Investment Program. They are terrified that under block grants there will be a cutback in child care resources and that time-limited benefits will be detrimental to the success that the program they are running is starting to show.

For the last several years, the institute has been engaged in extensive research on the economic survival strategies of single mothers who receive AFDC. The data source we use for this is the U.S. Bureau of the Census' Survey of Income and Program Participation, a nationally representative survey designed to capture the labor force experience, job characteristics, earnings, family structure and sources of public and private income available to U.S. families and households. It traces a nationally representative sample of families through 2 years of their lives.

What I want to do today is briefly summarize the survival strategies used by single AFDC mothers, talk about what works to increase the likelihood that they will engage in paid employment, look at the kinds of jobs that they do hold, and then finally talk about what helps them to increase their earnings and their ability to escape poverty.

IWPR's major finding is that most welfare recipients are not pathologically dependent on welfare. Stereotypes of women sitting watching television all day are grossly exaggerated. The notion that people who work and people who receive welfare are two separate populations are grossly exaggerated. Our data show that single mothers use AFDC as a source of child support, as a subsidy for low-wage work, as a source of disability insurance, and a source of unemployment insurance.

Survival strategies: Our findings show that only one out of four AFDC mothers are totally dependent on AFDC. Most also combined their AFDC income with income from their own earnings and from the earnings and income of other family members.

The majority, 7 out of 10, participated in the labor force during the 2-year period. More than 4 out of 10 worked substantial hours, about 1,000 hours a year, which is about the average number of hours worked by all mothers. Mothers do not work full time full year. These women are working mothers' hours. Another 3 out of 10 spend substantial time, 6 months during the 2-year period, looking for work, but were not successful in finding work. An additional 1 out of 10 were disabled, probably waiting to get onto SSI.

So what we find is about 2 out of 10 during the 2-year period did not participate in the labor force. One-quarter of these, however, were students. As I say, it is a great exaggeration that these

are women who are not attached to the labor force and women who do not work.

The earnings of those women, the more than 4 out of 10 who did do substantial hours of work, contributed about a third of their family's income, and as a result of their work, their families' incomes were higher and the amount of AFDC they received was lower. Nonetheless, they are not able to bring their families out of poverty on the basis of their earnings or on the basis of AFDC alone. For these women, packaging AFDC and paid employment is a potential route to escaping poverty.

So what works to increase the likelihood that they will engage in paid employment? First, the ability to work: Being disabled hurts your ability to work. Second, the availability of jobs: Those recipients who lived in States with low unemployment rates were significantly more likely to work. Less need for expensive child care: Those women who did not have infants or toddlers were more likely to work. More education: Those women with high school diplomas and job training were more likely to work. And availability of other financial resources——

Chairman SHAW. Ms. Spalter-Roth, I am sorry to interrupt you here. The balance of your statement will be placed in the record.

Ms. SPALTER-ROTH. Thank you so much.

[The prepared statement and attachments follow:]

**TESTIMONY OF ROBERTA SPALTER-ROTH  
INSTITUTE FOR WOMEN'S POLICY RESEARCH**

Good Afternoon Mr. Chairman and members of the Committee. My name is Roberta Spalter-Roth and I am Director of Research at the Institute for Women's Policy Research, also known as IWPR. I hold a Ph.D. in Sociology from the American University. Thank you for the opportunity to testify today.

For the last several years IWPR has been engaged in extensive research on the economic survival strategies of single mothers who receive AFDC. Our research uses data from the U.S. Bureau of the Census' Survey of Income and Program Participation, which is a panel survey especially designed to capture the labor force experience, job characteristics, earnings, family structure, and sources of public and private income available to U.S. families and households.

This study provides detailed information on the family situations of AFDC recipients, the factors that increase the likelihood that they engage in paid employment, the kinds of jobs they obtain, the factors that improve the prospects for obtaining better jobs, and the factors that increase their chances of escaping poverty.

IWPR findings show that most welfare recipients are not pathologically dependent on AFDC. The stereotypes of women who sit around all day watching TV, having children whom they fail to care for, and drawing welfare checks paid by hard-working Americans are greatly exaggerated. IWPR findings show that:

- o Only one out of four recipients is totally dependent on AFDC (and supplementary public assistance programs such as Food Stamps) for their family's income. In contrast, three out of four "package" AFDC income with earnings from their own employment, with the earnings and benefits of other family members (including child support), and with other resources. Those who do package income sources are more likely to escape poverty--with six out of 10 who package income from AFDC, their own earnings, and the income of other family members managing to bring their family's income to the poverty line (see Table 1).
- o The majority of recipients participate in the labor force over the two-year study period, though many cannot find work. Half of all single mothers who spend at least two months on AFDC during the two-year study period also work at paid employment during that period; with 20 percent combining paid work and AFDC in the same months, 23 percent cycling between work and AFDC, and another seven percent spending more time looking for work than actually working. In addition, 23 percent spend about six months looking for work although this period of job search does not result in paid employment, and seven percent have work preventing or limiting disabilities. Only one out of five recipients does not participate in the labor force at all during the two-year period, and about one out of four of these attend school (See Figure 1).

- o The earnings of mothers who obtain paid employment comprise one-third of their family's income package. These families have higher incomes (\$13,036 as compared to \$10,532 in 1990 dollars) and receive lower amounts of means-tested benefits (\$3,733 as compared to \$6,070 in 1990 dollars) than those who are more reliant on AFDC (see Figure 2). Those recipients who package paid employment and AFDC have incomes at 105 percent of the poverty line (including the cash value of Food Stamps and WIC) compared to those who are more reliant on AFDC (who have incomes at 80 percent of the poverty line--including the cash value of Food Stamps and WIC).

IWPR findings show that *packaging* AFDC with paid employment is necessary because neither the available employment nor AFDC alone provides enough income to raise families above poverty. Combining work and welfare can bring recipients' families to the poverty line.

#### Factors that Increase the Likelihood of Paid Employment

Why do some "welfare mothers" engage in paid employment while others do not? IWPR finds that the most significant factors in predicting whether an AFDC recipient will include paid employment in her family's income package are (see Table 2):

- o The recipients' actual ability to work, that is, not having a work-preventing disability (those with work-preventing disabilities are 17 percent less likely to work at paid employment);
- o The availability of jobs, that is, living in states with lower unemployment rates (those who live in states with unemployment rates of 10 percent or higher are seven percent less likely to work at paid employment while those who live in states with unemployment rates of 3.5 percent or below are nine percent more likely to work);
- o Less need for child care, that is, not having toddlers or infants or having only one child (those who have infants or toddlers are twelve percent less likely to work, while those who have only one child are two percent more likely to work);
- o The availability of family resources, that is having access to child support or earnings from other family members (those who receive child support are eight percent more likely to work and those who have access to income from other earners are five percent more likely to work);
- o The accumulation of greater amounts of human capital, including four years of past work experience, a high school diploma, and job training (these factors increase the likelihood of paid employment by 17 percent, 8 percent, and 9 percent, respectively).

Contrary to popular opinion, some factors are not significant in distinguishing between mothers who are employed and those who are not. These include: state benefit levels (those in states with higher than average state benefits are not significantly less likely to work); the mother's prior AFDC history (mothers who are repeat AFDC users are not significantly less likely to work); and the mother's race (African American recipients are not significantly less likely to work).

#### Available Jobs

What kind of jobs are available to those welfare mothers that engage in paid employment? IWPR research shows that the most striking characteristics of welfare mothers' jobs are that they are low-wage, unstable, and unlikely to provide health benefits:

- o Welfare mothers' primary jobs pay an average of \$4.29 per hour (in 1990 dollars). When they work, most work full-time at their primary jobs; about one-third work part-time. During the two-year period, they work an average of 1,903 hours during 29 full-time weeks and 17 part-time weeks (see Table 3).
- o Their employers provide health insurance coverage only one-third of the months they work (see Table 3).
- o Almost half of the packagers have more than one job during the two-year period (for an average of 1.7 jobs) and spend an average of 16 weeks looking for work (see Table 3). Despite their substantial hours of work, only 11 percent receive Unemployment Compensation when unemployed.
- o Among those who have more than one job, the second tends to pay less than the first (see Table 4). For those who work all 24 months, approximately half earn more at the end of the two-year period than at the beginning, while half earn less (See Table 5).
- o Work/welfare packagers tend to work in the lowest-wage women's occupations and industries: 39 percent of welfare mothers work in such service occupations as maids, cashiers, nursing aides, child care workers, and waitresses, contrasted with 11 percent of all women who work in these same occupations (see Table 6).
- o The top employers of welfare mothers are restaurants, bars, nursing homes, private households, hotels, department stores, hospitals, and temporary help services firms; such businesses employ two-fifths of welfare mothers but only about one-fifth of all women (see Table 6).

**These findings imply that if work is to be an improvement over welfare and produce a higher standard of living, then the quality of jobs and earnings obtained will need to be improved.**

#### Increasing the Ability to Escape Poverty

According to IWPR findings there are methods that can increase the job quality and earnings for this population. These methods include: increasing human capital, increasing job availability and stability, and increasing coverage by union contracts. These methods, along with other factors (primarily income from other family members), increase the ability of welfare mothers and their families to escape poverty.

IWPR finds that stable jobs, more human capital, union membership, and access to means and non-means tested benefits increase the chances of escaping poverty for those without family resources (see Table 7):

- o Among all work/welfare packagers, the more months during which a mother pools income with other family members, the more likely the mother is to escape poverty. Mothers who have access to income from family members for all 24 months increase their chances of escaping poverty from 11 to 86 percent.
- o For the 57 percent of working mothers who lack family resources, earnings from employment become a more important ingredient of an anti-poverty strategy. Of primary importance to packagers in nuclear families is job volatility (the number of times they start and stop jobs). Regardless of the reasons for job loss, the more times the mother starts and stops working, the more likely she is to be poor.
- o Mothers whose jobs are covered by union contracts are much more likely to escape poverty. Union coverage increases the chances of having an income above the poverty line from 11 percent to 39 percent.
- o Workers with a high school education and private job training are more likely to escape poverty. The effect of federal job training is insignificant. Although previous work experience is significant, mothers need **10** years of work experience to increase their chances of leaving poverty to 18 percent (from 11 percent).
- o Work/welfare packagers are better off when they live in states with higher AFDC benefits (raising the chances of escaping poverty from 11 to 17 percent) and when they receive non means-tested benefits, such as unemployment compensation, social security, or workers' compensation (increasing the chances of escaping poverty from 11 percent to 26 percent).

A major goal of all current welfare reform proposals is to move single mothers, and their children, off the AFDC rolls by mandating their participation in the work force. IWPR's research demonstrates that if this effort is to be successful--if it is to avoid the further impoverishment of poor mothers and their children and the further frustration of taxpayers over another failed program--policymakers must pay attention to what works. Without attention to these results, efforts to reform welfare will not result in increased labor force participation and higher incomes.

There is no "magic bullet," no simple or inexpensive way to make welfare mothers self-sufficient over the long term. IWPR findings show that recipients use AFDC in many ways: to supplement their low-wage work effort and to provide a safety net during periods of unemployment, disability, and family crises. All of these reasons for using AFDC must be considered in any successful reform effort. Rather than focus on time limits, policy action should focus on fostering increased education and job training, ensuring that there are enough jobs for all, and reforming the low-wage labor market. Improving the stability and pay of jobs at the low-end of the labor market, increasing the ability to qualify for Unemployment Compensation, and improving the ability of workers to organize and bargain collectively, as well as increasing access to unionized jobs for welfare mothers, would all help make welfare reform a success.

NOTE: The following tables and figures are excerpted from the forthcoming report, "Welfare That Works: The Working Lives of AFDC Recipients," by Roberta Spalter-Roth, Beverly Burr, Heidi Hartmann, and Lois Shaw. Washington, D.C.: Institute for Women's Policy Research.

Table 1. Types and Impact of Income Packages Among AFDC Recipients (1)  
(24-month study period)

	Total Number	AFDC Only (2)	Family and AFDC (3)	With Employment (4)		
				All	Employment and AFDC only	Employment, Family, and AFDC
Total.....	2,797,285	732,335	865,995	1,198,955	484,511	714,444
As percent of total.....	100%	26%	31%	43%	17%	26%
Total in poverty (5).....	2,027,494	716,937	634,878	675,679	372,565	303,114
Percent in poverty (5).....	72%	98%	73%	56%	77%	42%

(1) To be included in this study of AFDC recipients, a woman must receive AFDC for at least 2 months out of the 24-month study period and be single for at least 12 out of 24 months.

(2) In this table, "AFDC Only" is a shorthand label which also includes receipt of Food Stamps, Medicaid, and other non-cash and cash means-tested benefits (such as housing assistance), but does not include any other substantial source of income.

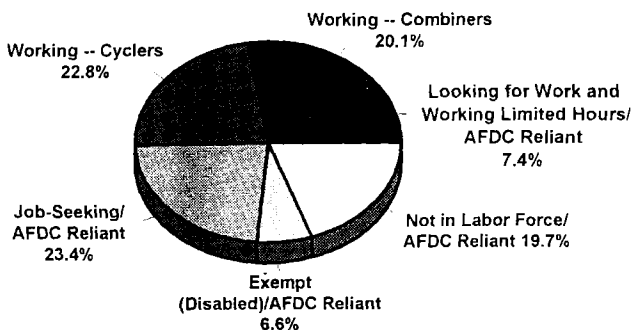
(3) In order to be included in this category, recipients must live with relatives contributing \$1,500 in income over the 24-month study period.

(4) In order to be considered employed, a welfare recipient must work at least 300 hours over the 24-month study period.

(5) "In Poverty" means that, on average, over the 24-month study period the family's income falls below the federal poverty standard for families of their composition and size (families may be above the poverty level in some months but below it in others). In this table, we use a modified methodology and count as income the cash value of Food Stamps and WIC in determining whether the family income exceeds the federal poverty standard.

Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988.

**Figure 1.**  
**Welfare Mothers Grouped by Labor Force Activity**  
**(24-month study period)**

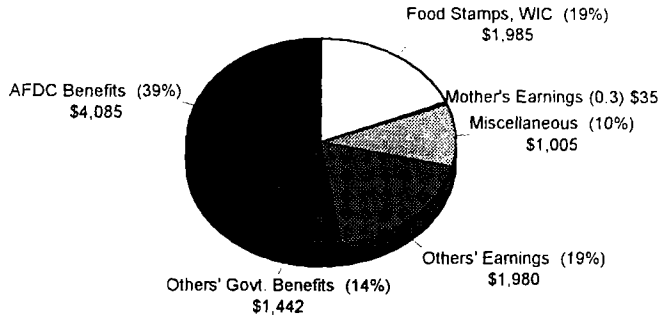


Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988.

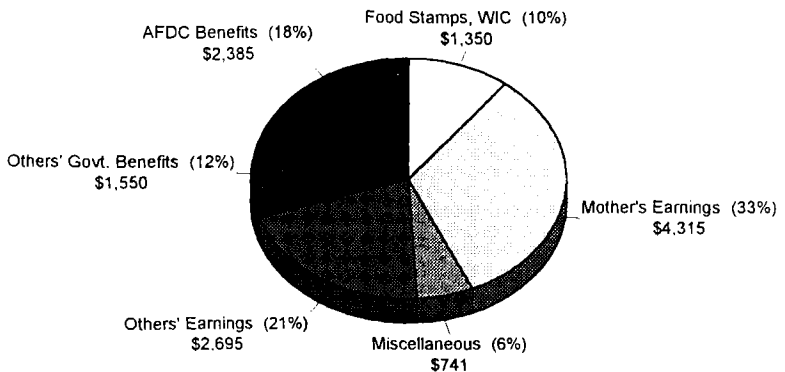


## Figure 2. Annual Income Packages (in 1990 dollars)

### Welfare Reliants Annual Family Income = \$10,532



### Work/Welfare Packagers Annual Family Income = \$13,036



Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988.

Table 2. Factors Affecting Work/Welfare Packaging (1)

Scenario	Work Welfare Packaging Probability
<b>Baseline</b>	20%
No work experience	
High school dropout	
No job training (federal or private)	
Average number of children (2)	
No infants or children under two	
No other adult(s) or child support	
No public or publicly assisted housing	
No additional means-tested benefits	
Average welfare benefit per person per month (\$130)	
Average state unemployment rate (6.7%)	
Average job search (15 weeks)	
Average age (29)	
White	
Able-bodied	
<b>Worst Case Scenarios</b>	
1) Work-preventing disability and receipt of SSI	2%
2) Additional child, high unemployment rate, and infant or toddler	7%
<b>Best Case Scenarios</b>	
1) High school graduate with federal job training	39%
2) Experienced (4 years) HS graduate with job training	61%
3) Experienced (4 years) HS graduate with job training and family resources (non-working adults at home, other earners, and child support)	80%
<b>Worsening The Baseline Situation</b>	
Work-preventing disability	3%
Has infants or toddlers	12%
High (10%) unemployment rate	13%
Publicly assisted housing resident	13%
One additional child	18%
<b>Improving the Baseline Situation</b>	
Only one child	22%
Another earner in household	25%
Private job training	26%
Completes high school	28%
Federal job training	29%
Low unemployment rate (3.5%)	29%
Child support recipient	32%
Gets married	33%
Has one year work experience	33%
Has average work experience (4 yrs.)	37%
<b>Insignificant Results (2)</b>	
Public housing resident	15%
Repeat welfare recipient	15%
Hispanic (3)	16%
High state welfare benefits (\$200)	17%
African American	19%
Job search effort (52 weeks looking)	19%
Work-limiting disability	20%
Non-working adult(s) at home	22%
Other race	23%
Student	23%

(1) Based on logistic regression analysis; see the full report for complete model and results.

(2) Results which did not reach the 10 percent significance level.

(3) Hispanics may be of any race and are not included here in the white or African American groups.

Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988.

Table 3. Work/Welfare Packagers: Work Patterns, Occupations, and Health Insurance (24-month study period)

Characteristic	Total	Cyclers	Combiners
Population	1,198,955	636,626	562,329
Sample	502	275	227
<b>Work Behavior</b>			
Number of jobs during survey	1.7	1.6	1.7
Number of employment spell transitions	2.3	2.2	2.4
Total hours worked	1903	1722	2108
Average weekly hours in weeks worked	34	36	31
Average monthly hours in months worked	137	145	129
Months worked	13	11	15
Weeks in the labor force	70	64	76
Weeks with paid employment	54	47	62
Weeks unemployed	16	17	14
Weeks employed at primary job (1)	46	41	53
Full-time weeks worked at primary job (1)	29	30	29
Part-time weeks worked at primary job (1)	17	11	24
Hourly wage in primary job (in 1990 \$) (1)	\$4.29	\$4.51	\$4.03
Total earnings in primary job (in 1990 \$) (1)	\$7,366	\$7,353	\$7,380
<b>Occupation of Primary Job (1) (percent distribution)</b>			
Managerial and executive	2.7	3.3	2.0
Professional	3.1	1.7	4.7
Technician	0.9	1.2	0.6
Sales and related	12.5	15.1	9.6
Cashier	7.6	9.3	5.6
Administrative support and clerical	15.9	17.6	13.9
Service	39.7	30.9	49.6
Food service	11.5	7.4	16.2
Cleaning service	8.5	7.3	10.0
Personal service	9.7	5.4	14.6
Other service	9.9	10.8	8.8
Farming, forestry and fishing	1.3	0.7	2.0
Precision production, craft and repair	3.8	4.6	2.8
Operators, handlers and laborers	20.2	24.9	14.8
Total	100.0	100.0	100.0
<b>Health Insurance</b>			
Months with health coverage	20.0	18.4	21.9
Months with employer coverage	3.6	4.2	3.0
Working months with Medicaid	6.4	3.2	9.9
Working months with Medicaid and employer h.i.	0.6	0.2	1.0
Working months with employer coverage	2.9	3.8	1.9
Working months with no coverage	3.2	4.2	2.0

(1) Primary job is the job at which the AFDC mother worked the longest hours.

Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988.

**Table 4. Characteristics of Work/Welfare Packagers' Jobs**  
(24-month study period, 1990 dollars)

Characteristics	Number of Jobs Held During Survey			
	One	Two	Three	Four +
Population	674,472	318,722	131,845	72,003
As % of population	56%	27%	11%	6%
Sample	278	135	58	31
<b>FIRST JOB</b>				
Hourly wage	\$4.33	\$4.28	\$4.46	\$4.66
Weeks employed	52	34	24	14
Percent predominantly part-time	31%	44%	36%	67%
Average hours per week worked	33	31	31	28
<b>SECOND JOB</b>				
Hourly wage		\$4.21	\$3.87	\$3.45
Weeks employed		26	15	17
Percent predominantly part-time		39%	43%	42%
Average hours per week worked		32	31	30
<b>THIRD JOB</b>				
Hourly wage			\$4.32	\$4.24
Weeks employed			19	17
Percent predominantly part-time			32%	41%
Average hours per week worked			34	30
<b>FOURTH + JOB</b>				
Hourly wage				\$4.23
Weeks employed				15
Percent predominantly part-time				44%
Average hours per week worked				37

Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988

**Table 5. All Workers: Earnings Mobility**  
(24-month study period)

	Number of Months Between First and Last Month Worked						
	ALL	0-3	4-7	8-11	12-15	16-19	20-24
<b>Worker (1) population</b>	1,405,402	304,263	206,918	141,861	137,155	166,229	448,977
As % of population	100%	22%	15%	10%	10%	12%	32%
<b>Real Hourly Wage Growth (2) (percent distribution)</b>							
Wage gains	51	22	65	62	69	59	51
Wage losses	41	39	35	38	31	39	49
No difference	9	39	0	0	0	2	0
Total	101	100	100	100	100	100	100
<b>Real Earnings Growth (2) (percent distribution)</b>							
Earnings gains	53	20	54	60	69	66	63
Earnings losses	38	38	46	40	31	34	37
No difference	9	42	0	0	0	0	0
Total	100	100	100	100	100	100	100

(1) This table includes all AFDC mothers who work, including those who worked limited hours (fewer than 300 hours) over the 24-month study period.

(2) Wage and earnings growth were calculated in constant dollars.

Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988.

**Table 6. Work/Welfare Packagers: Most Common Occupations and Industries of Primary Jobs (1)**  
(24-month study period)

OCCUPATIONS		INDUSTRIES	
Domestic workers	9.8%	Restaurants and bars	11.5%
Cashiers	7.6%	Nursing homes	7.2%
Nursing aides	7.6%	Private households	6.9%
Child care workers	6.7%	Hotels and motels	4.0%
Wait persons	5.1%	Department stores	3.8%
Machine operators	4.6%	Hospitals	3.7%
Cooks	3.6%	Temporary help services firms	3.5%
Retail sales workers	3.0%	Grocery stores	2.6%
Secretaries	2.3%	Day care services	2.3%
Textile sewing machine operators	2.1%	Apparel	2.2%
Laborers	1.8%	Meat packing	1.9%
Receptionists	1.8%	Colleges and universities	1.6%
Typists	1.4%	Agriculture services	1.5%
Assemblers	1.4%		
Food counter jobs	1.3%		
Teachers' aides	1.3%		
File clerks	1.2%		
All listed	62.4%		52.7%

(1) Primary job is the job at which the AFDC mother worked the longest hours.

Source: IWPR calculations based on the Survey of Income and Program Participation,

Table 7. Factors Affecting Work/Welfare Packager's Poverty Status (1)

Scenario	Probability of Living Above Poverty
<b>Baseline</b>	11
Two years work experience	
No high school diploma	
No job training (federal or private)	
Average number of children (2)	
No other adults in household or child support	
No means-tested benefits	
No non-means tested benefits	
Average welfare benefit per person per month (\$129)	
Average state unemployment rate (6.6%)	
White	
Able-bodied	
<b>Worsening the Baseline</b>	
One additional child	5
African American	5
High unemployment rate (10%)	6
High job volatility (four transitions)	8
<b>Improving the Baseline</b>	
Low job volatility (one transition)	13
High welfare benefit per person per month (\$195)	17
10 years work experience	18
Only one child	22
Non-means tested cash benefits	26
Private job training	26
Completed high school	31
Union coverage	39
Income from other family members	
12 months	47
24 months	86
<b>Worst Case Scenarios</b>	
African American, high unemployment, and unstable work	2
High unemployment, low AFDC benefits (\$75 per person per month), and unstable work	3
High unemployment and unstable work	4
<b>Best Case Scenarios</b>	
High school diploma, stable work	36
High school diploma, private job training	56
High school diploma, other family income for 12 months	76
High school diploma, other family income all 24 months	96
<b>Insignificant Results (2)</b>	
Infants or toddlers	8
Federal job training	11
Non-working adults in home	11
Self-Employed	17

(1) Based on logistic regression results; see the full report for complete model and results.

(2) Results which did not reach the 10 percent significance level.

Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988.

Chairman SHAW. Ms. Pearce.

**STATEMENT OF DIANA M. PEARCE, PH.D., DIRECTOR, WOMEN AND POVERTY PROJECT, WIDER OPPORTUNITIES FOR WOMEN**

Ms. PEARCE. Thank you for this opportunity to address the Committee. I come wearing several hats, so to speak. I come as a Ph.D. researcher and one-time professor with a long-time interest and expertise in the area of women's poverty. I come representing Wider Opportunities for Women, a 30-year-old national organization located here in Washington which runs training programs to prepare women, mostly black and Hispanic, mostly welfare mothers, for nontraditional jobs and carries out welfare employment demonstrations nationally.

Third, I come as a representative of the Practitioners Panel, a group of women who have run training employment programs for low-income women, many of them welfare mothers for many years, in different sites across the country. We have developed an alternative welfare reform proposal crafted out of their experiences.

I would like to begin with one welfare recipient, drawing from it the lessons that have shaped the practitioners' proposal which we call the Act for Family Development Independence. Before I do so, I would like to acknowledge the presence of our current group of trainees who helped contribute to this testimony as part of their citizenship education.

Cathy, not her real name, was one of WOW's trainees this past fall. Cathy got her first job during 8th grade working at McDonald's part time. After 3 years, she became assistant manager. Then before her senior year, she took a course in data entry and began working part time. She graduated from high school, but then was laid off from her job. The next year, she had her first child and went on welfare at the age of 19.

The following year she had her second daughter and began working part time at Toys R Us. The next year, Cathy left welfare, taking a full-time job with a security firm where she stayed for 4 years. When she was laid off, she received unemployment and then worked for a short time for a gift shop and was again laid off. This time when her unemployment ran out, she turned to welfare again and moved into public housing.

Two years later, she enrolled in WOW's training program, where she improved her academic skills, as well as received job skill training. She is now working as a carpenter's assistant doing housing rehabilitation earning about \$8 per hour to start. As she gains skill and experience, her wages will rise, with journeymen's wages topping \$20 per hour.

Cathy's experiences are typical of our trainees and welfare recipients in general in three ways. As with many welfare recipients, the jobs Cathy held were short term and dead end. In research done for the Department of Labor by myself, I found that the typical low-wage job lasts an average of 1.75 years, and that average varies little by race or gender and seems characteristic of low-wage jobs.

Second, as with many welfare recipients, Cathy turned to welfare more than once. Again, in the research that I did for the Depart-

ment of Labor, I found that low-wage employment experience is different for men compared to women, what I call the chutes and ladders. For men, low-wage jobs are more likely to be the bottom rungs on ladders, lead to better paying jobs. For women, low-wage jobs are more often chutes, sending women back into poverty, unemployment and a return to welfare when they end, just as happened with Cathy.

Likewise, research found that two-thirds of those who leave welfare for employment return, the majority within 2 years. As with many welfare recipients, Cathy's wages did not improve with time. Without intervention, women who try to leave welfare find they move from job to job, but do not improve.

Gary Burtless of the Brookings Institute found that women in their twenties who experience at least 1 year of AFDC increase their wages over the course of that decade by only 1 percent per year, compared to 6 percent per year for those who were not welfare dependent.

While welfare mothers work more than ever before, they are finding it harder than ever to find the jobs and keep the jobs that permit them to support their families and stay off of welfare.

Finally, as with many welfare recipients, Cathy's academic skills were quite limited, though she had completed high school. As is true with all trainees that WOW serves, her basic skill levels were below the sixth grade. Burtless found that one-half of women in their twenties who are dependent on welfare finish high school, but 70 percent score in the bottom quartile of the Armed Forces Qualifying Test. What is different, of course, about Cathy's experience is she participated in a program designed to address her needs for both academic and job skills. Called functional context literacy, this approach teaches academic skills in the context of job specific skills, and it works.

Cathy's experience is also exceptional in another sense. She both had her first child and went on welfare as a teenager. Our concern with the difficulties faced by very young women having children is we have slid into some serious misconceptions about the nature of the AFDC caseload. Only about 8 percent of welfare mothers are teen mothers, and the average age of welfare mothers is 29 years. About 3 out of 4 welfare mothers first applied for public assistance at the age of 20 or higher, one-half are 25 or higher.

Chairman SHAW. I am sorry, as with the speaker before you, I am going to have to cut you off here. The balance of your testimony will be made a part of the record.

Ms. PEARCE. Could I do one last paragraph?

Chairman SHAW. Pardon?

Ms. PEARCE. One last paragraph?

Chairman SHAW. One last paragraph.

Ms. PEARCE. Thank you.

The Act for Family Development Independence, which I have in a flow chart here, focuses on insuring permanent moves off welfare in a 2-year timeframe for most families. This is accomplished through up front assessment of the needs of the whole family, both adults and children, and provision of those services that are appropriate to individual families. Because the focus is on outcomes and the achievement of family self-sufficiency, the States have substan-



tial flexibility on how they achieve this outcome, in light of local economic and other conditions. At the same time, the AFDI meets the needs of a diverse caseload, including teen parents, with a special program.

Finally, AFDI recognizes that in order to make the transition to employment or avoid leaving employment for welfare, many need a transitional support program that provides child care and health care to those whose employment does not provide benefits and/or wages adequate to secure these basic necessities. Altogether, the AFDI provides a win, win, win program by transitioning welfare recipients into the work force. They win by becoming economically self-sufficient. The system wins by becoming successful, and the public wins because families have become more responsible for themselves and the burden on the public has been lessened.

Thank you.

[The prepared statement and attachments follow:]

# TESTIMONY OF DIANA PEARCE WIDER OPPORTUNITIES FOR WOMEN

Thank you for this opportunity to address the Ways and Means Committee at this critical juncture. I come wearing several hats, so to speak: I come as a Ph.D. researcher and one-time professor with a longtime interest and expertise in the area of women's poverty. I come representing Wider Opportunities for Women, a 30-year old national organization located here in Washington. WOW runs training programs that prepare women, mostly black and Hispanic welfare mothers, for nontraditional jobs and carries out welfare employment demonstrations nationally. And, I come as the representative of the Practitioners Panel--a group of women who have run training and employment programs for low income women, many of them welfare mothers, for many years--who have developed an alternative welfare reform proposal crafted out of their experiences.

I would like to begin with a story of one welfare recipient, drawing from it the lessons that have shaped the practitioners' proposal, which we call the Act for Family Development and Independence. But before I do so, I would like to acknowledge the presence of our current group of trainees, who helped write this testimony.

Cathy (not her real name) was one of WOW's trainees this past fall (1994). Cathy got her first job during 8th grade, working at McDonald's part-time; after three years, she had become assistant manager. Then, before her senior year in high school, she took a training school course in data entry, and began working part-time for a data entry company. She graduated from high school, but was laid off from her job. The next year she had her first child, and went on welfare at the age of 19. The following year she had her second daughter and began working part-time at Toys"R"Us. The next year Cathy left welfare, taking a full-time job with a security firm, where she stayed for four years. When she was laid off, she received unemployment benefits, and then worked for a short time for a gift shop, and she was again laid off. This time, when her unemployment benefits ran out, she turned to welfare again, and moved into public housing. Two years later, she enrolled in W.O.W.'s training program, where she improved her academic skills as well as received job skills training. She is now working as a carpenter's assistant doing housing rehabilitation, earning about \$8.00 per hour to start. As she gains skill and experience, her wages will rise, with journeyman's wages topping \$20.00 per hour.

Cathy's experiences are typical of our trainees, and welfare recipients in general, in three ways:

1. As with many welfare recipients, the jobs Cathy held were short term, and deadend, ending in layoffs. In research done for the Department of Labor in 1989, I found that the typical low-wage job lasts an average of 1.75 years, and that average varies little by race or gender, but seems to be a characteristic of these jobs.
2. As with many welfare recipients, Cathy turned to welfare more than once, when she lost her jobs and had exhausted other supports. Indeed, in the research that I did for the Department of Labor, I found that the low-wage employment experience is different for men compared to women, what I call the "chutes and ladders" pattern. While for men low-wage jobs are more likely to be the bottom rungs on "ladders" leading to better-paying jobs, for women low-wage jobs are more often "chutes", sending women back into poverty, unemployment and/or a return to welfare when they end, just as happened with Cathy. Likewise, research by Pavetti found that two-thirds of those who leave welfare for employment return, the majority within two years.
3. As with many welfare recipients, Cathy's wages did not improve over time. Many studies have documented this phenomenon: without intervention, women who try to leave welfare for employment often find that as they move from job to job, and on and off welfare, their prospects do not improve. As documented by Gary Burtless, women in their twenties who experienced at least one year of AFDC receipt, increased their wages over the course of that decade by only about 1% per year (compared to 6% for comparable young women who had not been welfare dependent). And, all indications

are that while welfare mothers work more than ever before\*, they are finding it harder than ever before to find the kind of jobs that pay enough wages, provide the necessary benefits, and last long enough to permit them to successfully and permanently leave welfare.

4. As with many welfare recipients, Cathy's academic skills were quite limited, even though she has completed high school. (As is true of all the trainees WOW serves, her basic skill levels were below the 6th grade). Burtless found that although one-half of women in their mid-twenties who are dependent on welfare have finished high school, 70% score in the bottom quartile of the AFQT (Armed Forces Qualifying Test) for their age group.

What is different of course about Cathy's experience, is that she participated in a program designed to address her need for both improved academic skills *and* job-specific skills. Modelled on the CET Program in San Jose and others', WOW's program improves trainees' academic skills in the course of teaching job skills. Called **functional context literacy**, this approach teaches academic skills in the context of job-specific skills. Thus for example, math skills--such as fractions and triangles--are learned in the course of learning carpentry skills.

Cathy's experience is also exceptional in another sense: she both had her first child and went on welfare as a teenager. In our concern with the difficulties faced by very young women having children, we have slid into some serious misconceptions about the nature of the AFDC caseload:

- o Only about 8% of welfare mothers are teen mothers, and less than 2% are under the age of 18. The average age of welfare mothers is 29 years, meaning that half of welfare mothers are 30 or older.
- o Approximately three out of four welfare mothers first apply for public assistance at the age of 20 or higher, and one-half are 25 or older when they first apply. Indeed, because 80% of single teen mothers live with relatives, mostly their parents, becoming a teen mother is not at all synonymous with welfare receipt--only 30% of teen mothers go on welfare within three years of their child's birth.
- o Teen mothers are a shrinking proportion of all mothers--down from one of six mothers in 1970 to one of eight mothers in 1990, and a shrinking proportion of unmarried women giving birth (down from 50% in 1970 to 30% in 1990). Indeed, the absolute number of births to teen mothers in 1991 is less than in 1970 or 1980.

In short, women on welfare, as well as all women, are having fewer children, are having them later, and are marrying less. What this means is that we need to conceive of welfare programs as serving women who mostly come onto welfare not as teen mothers, but as women in their twenties, many with substantial low wage labor force experience, and many with previous stints on welfare (About half of welfare applicants are re-applicants).

Drawing from the experiences of Cathy and literally thousands of other trainees like her, practitioners from programs from across the country developed the Act for Family Development and Independence (the AFDI). I will discuss today the four key elements of this proposal, which are outlined in this testimony, and are summarized in the flow chart that is attached.

**1. Using a two generation approach, the AFDI creates a welfare system that provides comprehensive services, according to individual Family Development Plans, that transition welfare recipients into the workforce on a two-year timeframe.**

We must break the cycle of poverty, and to do so requires strong families. Almost all mothers on welfare want to be both good parents and good workers, yet all too many of them are forced to make terrible choices between those two goals. For example, increasingly, they must decide whether to work without health care coverage--risking their children's health or their own if they get sick--or not work in order to be eligible for Medicaid. (Medicaid is supposed

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\* In 1979, welfare mothers earned about one-fourth of their "potential" earnings (the earnings they would have had, had they worked full-time, year-round); by 1991, working welfare mothers earned three-fourths of their potential. Burtless, p. 13.

to continue for those who leave welfare for a job, but only for one year, and not all receive it). Clearly, any program that sacrifices the next generation, e.g., by forcing mothers to leave children in poor child care or without proper medical care, will quickly fail both generations.

Welfare recipients represent a wide range of needs. Not all need training and education before entering the workforce. At the same time, for the 17-year-old high school dropout with limited literacy, a small child, and only low-wage work experience, it does not take three weeks of job search to find out that she is unlikely to find a job that will get her off welfare successfully. As with Cathy and countless others, she will eventually find employment, but it is unlikely to last, and it is unlikely to result in enough acquisition of skills and work experience to lead to better-paying jobs.

Thus, our Act for Family Development and Independence requires that all recipients participate in an upfront comprehensive assessment of their family and individual needs. This assessment includes career counseling about occupations that could lead to self-sufficiency for the mother and her family. Unless women are given real information about a range of occupational alternatives, including nontraditional jobs and careers available through post-secondary education, most will end up in traditionally female jobs, many of which are overcrowded, underpaid, and short term.

Imposing a "work first" or "upfront job search" requirement on all recipients is a one-size-fits-all approach that is no more appropriate to a diverse caseload than mandating that *all* recipients receive education and training. As with all simple solutions, such an approach works for some but not others, and imposes costs. Pushing recipients who clearly are not competitive into the job market without skills also runs the danger of creating failure experiences that make later success more difficult for the recipient, or anyone else, to achieve.

At a minimum, careful assessment of the recipients' past history provides a means of determining what each recipient needs to make a successful exit from welfare. If the recipient, as with most recipients, has already tried the "work first" strategy on her own, that is, if she has already been employed and been unable to meet her family's needs, and has returned to welfare, she clearly requires either services (e.g., help with securing or paying for child care), and/or increased skills in order to achieve economic self-sufficiency and an exit from welfare.

For the majority of recipients whose basic skills need improvement (more than 60%)-- and those with a history of repeated, low-wage, low-skill work (again the majority)-- permanent transition from welfare will require public investment in training for nontraditional or other well-paid jobs; basic skills enhancement; and targeted on-the-job or work experience opportunities in occupations where living wage employment and benefits can be attained. Among the practitioners who crafted the Act for Family Development and Independence are numerous examples of programs which have accomplished this kind of transition. The Wall Street Journal article accompanying this testimony documents one of them. Lessons from locales which have successfully implemented the Nontraditional Employment for Women Act in JTPA can illustrate the types of career counseling, access to training, employer involvement, and systemic changes that can achieve permanent transitions off welfare. Each of these processes are essential to ensure success for women entering not only nontraditional, but more traditional employment that pays self-sufficient wages.

At the same time, practitioners believe that having a time structure, with deadlines, goals, and timetables--but not time limits--works to increase the speed and effectiveness of recipients' moving from welfare to self-sufficient work, whether that path is indirect (through education or training), or directly into the workforce.

In concentrating on the issue of moving recipients into the workforce, the issue of child care has been neglected. While child care may be available free or at low cost to some (via friends, relatives, or neighbors), most of those who had such child care available have already availed themselves of it. As we consider moving welfare mothers with very young children into the labor force, the issues of cost, availability, and infrastructure will become even greater barriers than they are today. It is worth repeating that most states have waiting lists (or would

have, if they kept them) of women on welfare whose only barrier to entering employment, or education/training leading to employment, is the lack of child care. In the District, the shortage of resources to meet the demand for child care leads to rationing that results in frustrating waits, complicated (and unnecessary) requirements, and/or inadequate care.

What is needed is a simple, comprehensive system of child care that allows a mother to enter training or employment, knowing that her child is well and dependably taken care of while she is away. This would be a system that did not change requirements as the mother's status changes, but instead helps smooth the transition from welfare to work for both mother and child. In short, we need seamless child care.

## 2. Performance Standards

Not only welfare recipients, but welfare workers, respond to incentives and sanctions. While there has been much talk about changing the "culture" of the welfare office, and reorienting the bureaucracy, nothing will really change until the incentive system changes. Simply put, welfare workers are rewarded for not making errors in writing checks, period. If a welfare worker helps a recipient secure child care, get into a training program, or get a job, she not only gets no reward, she risks making an error. For example, providing transitional child care to a recipient leaving welfare for work means filling out forms, obtaining reimbursements--and risk making an error. If she does nothing, however, there is no risk of error.

In an analysis I did of the operation of performance standards in JTPA, I found that these standards drove the training programs: requirements that a percentage of participants be placed in jobs, with certain average wages, for a minimum amount of time, resulted in most JTPA providers achieving those standards. *Lacking JTPA-type outcome-based standards, welfare training and job placement programs will continue to fail to adequately serve many recipients.* Performance standards are a key element in any welfare reform, guaranteeing accountability for public funds and to program clients.

At a minimum, performance standards should address the quantity of jobs obtained (the job placement rate), and the quality of jobs, specifying minimum and average wage levels, job retention, and job quality in terms of benefits. To prevent creaming, performance standards should take into account the different needs, abilities, and barriers among participants, and local economic conditions, without permitting such circumstances to become rationales for low-level performance. Performance standards should also take into account overall program performance, rewarding those which successfully place a high proportion of participants, and sanctioning programs (but holding harmless individuals) which perform at substandard levels.

## Program 3. Transitional Support

Leaving welfare for employment puts many recipients out on a limb in terms of their family's security. Many of the first jobs obtained by recipients, even with training, do not provide sufficient wages nor benefits. Until earnings are sufficient to meet basic needs, recipients should be able to retain partial benefits as well as noncash benefits. Likewise, it is essential that child care and health care be provided recipients who leave welfare for employment. Furthermore, these benefits should be provided for as long as they are needed, on a sliding scale fee basis, rather than for an arbitrary period of time (one year at present). Bureaucratic barriers to receiving these benefits should be removed. In addition, these transitional benefits should be made available to those "at risk" of going on, or returning to welfare, because their jobs lack health care benefits or their wages are too low to afford child care. (The latter is partially provided now through the "At Risk" Child Care Program, but does not reach the many parents who need it, and who could thereby be prevented from going on/returning to welfare).

## 4. Teen Parent Program

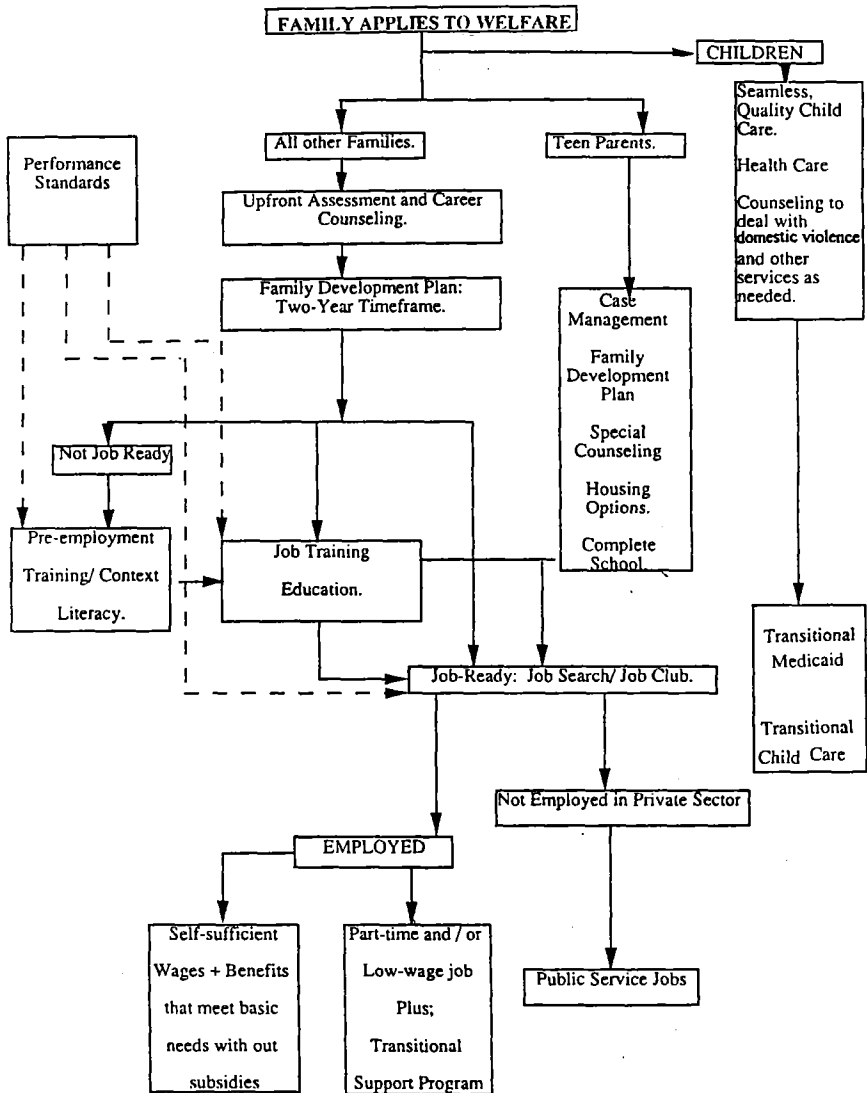
A great deal of attention has been paid to the need to address and prevent teen parenting. As I noted earlier, this focus is somewhat skewed in the current welfare debate, given the real proportion of teen mothers on welfare. However, though their numbers may be (relatively) small, there is no question that teen mothers on welfare have special needs.

In the experience of practioners, teen parents require a more structured and supportive program than that provided for adult recipients. Such a program would work quickly with teen parents who come on to welfare to assess their needs, developing comprehensive plans to determine their needs for services, as well as their children's needs. At the same time, the program must be geared to their special needs. Since a majority of teen parents have been the victims of abuse or incest as children, special support groups, mentoring programs, appropriate housing alternatives (if living with parents is not appropriate or available), and counseling related to childhood abuse and sexual violence should be provided as needed. AFDI would thus work to both ease the transition into the workforce of welfare mothers, and to prevent low-income mothers from having to turn to welfare when they could stay employed with the aid of transitional support program. Early identification of pregnant mothers should begin in the schools and every effort should be made to sustain young mothers in regular education programs, enriched with parenting and child development programs.

## CONCLUSION

The Act for Family Development and Independence we propose to you focuses on ensuring permanent moves off welfare, in a two-year timeframe for most families. This is accomplished through upfront assessment of the needs of the whole family, both adults and children, and provision of those services that are appropriate to individual families. Because the focus is on outcomes—the achievement of family self-sufficiency—the states have substantial flexibility on how they achieve this outcome in light of local economic and other conditions. At the same time, the AFDI meets the need of a diverse caseload, including teen parents, those who are ready to immediately enter the workforce, those who need substantial education and/or training, and those who are in-between. Finally, the AFDI recognizes that in order to make the transition to employment, or avoid leaving employment for welfare, many need a Transitional Support Program that provides child care and health care to those whose employment does not provide benefits and/or wages adequate to secure these basic necessities. Altogether, the AFDI provides a "win-win-win" program: by transitioning welfare recipients into the workforce, they "win" by becoming economically self-sufficient, the system "wins" by becoming successful, and the public "wins" because families have become more responsible for themselves and the burden on the public has been lessened.

**FLOW CHART: MOVING FROM WELFARE TO THE WORKPLACE  
VIA THE ACT FOR FAMILY DEVELOPMENT AND INDEPENDENCE**





#### About the Women and Poverty Project

The Women and Poverty Project seeks to be a voice for, and with, poor women, raising their needs in public debates, analyzing economic and social trends for their impact on low-income women, delineating specific policy proposals, and seeking their implementation. It works on its own, but more commonly in coalition with other organizations, to develop agendas and seek their adoption. Its activities range from Congressional testimony, public information activities, linking local and state groups with resources, and providing information and analysis to the media, public policymakers, legislators, and advocate organizations. Through all these activities, WAPP seeks to bridge between research and public policy.

In recent decades women, especially those raising children alone, have borne more and more of the burden of poverty in America, in a trend known as the "feminization of poverty" (a phrase coined by Dr. Diana Pearce, founder and director of WAPP). Towards the end of reducing the poverty experienced by too many women and their families, the Women and Poverty Project concentrates its activities in four areas as they impact on low-income women: housing and homelessness, low-wage employment, welfare programs, and poverty trends.

#### Projects

**Welfare Reform:** WAPP analyzes proposed welfare reforms, both state and federal, including such programs as "Workfare," "Learnfare," benefits levels, child support programs, job training, education, and support services.

Recent projects include: With Wider Opportunities for Women, sponsors Welfare Reform Practitioner's Panel; Sits on the Board of the Coalition on Human Needs; Testified before President Clinton's Working Group on Welfare Reform.

**Women and Low-wage Employment:** WAPP researches the impact of part-time, temporary, and seasonal work; benefits coverage and health insurance; wage levels, especially minimum wage. Related research issues also of concern include access to unemployment compensation, opportunities for training, and child care.

Recent Projects include: Development of Self-Sufficiency performance standards for job training and education programs, introduced into legislation as an amendment to JTPA; Conducted research on how to introduce non-traditional employment training to JTPA programs; Assessed Unemployment Insurance eligibility across the nation to determine uneven benefits levels effecting women.

**Shelter:** The project address three closely-related problems facing low-income single parent families: the shortage of affordable, accessible, and appropriate housing; the growing homelessness of families; and the increase in housing discrimination against families with children.

Recent projects include: Co-chair of the Women and Housing Task Force; Created research on Doubled-Up Households (families who share their homes); Assessing the importance of stable housing on transitioning off welfare.

**Poverty Trends:** WAPP examines the developing trends in poverty statistics, with emphasis on women and their families, and identifies through testimony and press releases the many barriers women face in escaping poverty.

The Women and Poverty Project is at Wider Opportunities for Women, which advocates for training and employment issues at the national level and conducts non-traditional training and basic skills/literacy programs on-site for Washington area women.

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**Wider Opportunities for Women, Inc.**

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## Wider Opportunities for Women

### About WOW

Wider Opportunities for Women (WOW) works nationally and in its home community of Washington, D.C. to achieve economic independence and equality of opportunity for women and girls. For nearly 30 years, WOW has helped women learn to earn, with programs emphasizing literacy, technical and nontraditional skills, and career development. Since 1964, WOW has trained more than 10,000 women for well-paid work.

Cynthia Marano, Executive Director

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What began as a local Washington effort to help women help themselves has become a multi-faceted women's employment organization, recognized nationally for its skills training models, technical assistance, and advocacy for women workers. While it continues to provide training services locally, WOW also leads the Women's Work Force Network (WWFN) comprised of over 500 independent women's employment programs and advocates in every state and the District of Columbia. Each year, the Network reaches more than 300,000 women seeking employment information, counseling, training and jobs. With its unique perspective as a job trainer and policy monitor, WOW is a respected advocate for the needs and rights of women workers.

### 1994 Activities

**The WOMANLINC Project:** staff development workshops and technical assistance for organizations interested in teaching literacy in the context of employment or intergenerational programs;

**Leadership Development Project:** state-based institutes and follow-up support designed to increase the effectiveness of women's advocates in community-based employment and training organizations;

**Nontraditional Employment Training Project:** technical assistance for the JTPA system on improving the access of women to nontraditional occupations;

**Educational Equity Options Project (EEOP):** consultation with school systems to improve vocational education opportunities for women and girls;

**The Women at Work Awards:** a recognition event to celebrate exceptional contributions to working women in the media, public policy, in the workplace, and in individual leadership;

**The Sexual Harassment Solutions Project:** a best practices project identifying programs and policies that prevent or address sexual harassment in the workplace;

**The Family Literacy Project:** a program for local area women integrating basic skills, introduction to nontraditional and technical jobs, and family learning activities;

**The DC NEW Act Project:** a local public education and technical assistance project to increase the numbers of low income women entering and succeeding in training for nontraditional jobs.

### Leadership

WOW is governed by a Board of Directors and guided by advice from the National Commission on Working Women, the Regional Leaders of WOW's Women's Work Force Network, and a local Industry Advisory Council. WOW's Board Chair is Anna Padia; Chair of the Commission, Irene Natividad; and Executive Director is Cynthia Marano.

[FROM THE WALL STREET JOURNAL - DECEMBER 28, 1994]

## WORKPLACE

# Training Women for Tough Guys' Jobs

By FRED R. BLEAKLEY

Staff Reporter of The Wall Street Journal

Faling winds and a fresh snowfall kept most Milwaukee residents indoors on a recent Wednesday. But Kimberly Miller had work to do.

With a heavy tool belt around her waist and a hard hat covering the hood of her sweatshirt, she strapped iron galls onto her shins and climbed a 35-foot utility pole. The 22-year-old single mother of three is training to repair and install electrical lines for Wisconsin Electric Power Co.—one of the companies participating in an ambitious effort to find nontraditional jobs for women on welfare.

Dozens of Milwaukee welfare mothers are training to become welders, machinists, printers, sheet-metal workers, auto mechanics and carpenters. All are participating in Milwaukee NET, which is run by the local YWCA and was originally funded by the Washington, D.C.-based advocacy group Wider Opportunities for Women (WOW). Milwaukee NET's goal: to place women in occupations in which less than 25% of the work force is female.

As the clamor for welfare reform mounts to include proposals for curtailing welfare to women with dependent children, such training efforts are under growing scrutiny. And Milwaukee NET is among the most successful. Since its training programs started two years ago, with help from a Ford Foundation grant, Milwaukee NET has placed 90 of its 100 graduates in relatively high-paying nontraditional jobs. Eighty-three of them remain in nontraditional jobs.

Ms. Miller, who lives on public assistance while she's in training, will receive a starting salary of \$15 an hour if she passes



Kimberly Miller

rigorous aptitude and physical tests after nine months of training. That's much better than the series of minimum wage, dead-end jobs that left her "struggling month after month to survive," she says.

For the same reason, Jill Baillargeon, 26, has been toughing it out as an apprentice plumber. Now earning about \$10 an hour, the single mother of three will move up to \$22.40 if she makes journeyman in four years.

Job-training programs nationwide are using Milwaukee NET as their guide. "Milwaukee helped us learn successful strategies that can be used in other communities," says Cindy Marano, WOW's executive director. WOW, a 30-year-old nonprofit group, was a driving force behind 1991's Nontraditional Employment for Women (NEW) Act, which requires all federal job-training centers to increase training for women in nontraditional jobs.

In Milwaukee, women on welfare who seek federal job training hear a three-hour talk on nontraditional jobs, which, they learn, typically pay 20% to 30% more than traditionally female occupations like health-care. Women who like the idea of doing nontraditional jobs enroll in Milwaukee NET and spend a week touring training sites to decide which profession they like best. After a series of screening and aptitude tests and before the actual apprenticeships begin, the women go to the YWCA for two weeks of courses, which include remedial math and physical conditioning, as well as lessons in handling sexual harassment.

There is also constant confidence building. "You can't let things get negative," says machine-tooling instructor Susan Lunsford.

Despite WOW's recent success, critics of nontraditional work for women continue to believe that too few welfare women will succeed at these jobs and that the Milwaukee NET approach is too expensive to be practical for larger groups.

Nontraditional job training "is a drop  
Please Turn to Page B6, Column 4

[FROM THE WALL STREET JOURNAL - DECEMBER 28, 1994]

## Women Learn to Fix Automobiles And Do Other Typical 'Guy' Jobs

*Continued From Page B1*

in the ocean," says Anthony Carnevale, chairman of President Clinton's National Commission for Employment Policy. He thinks welfare mothers should seek to make "beachheads in new technology industries," such as telecommunications. Over the next 15 years, hundreds of thousands of new low- to moderate-skill jobs will be needed to build wireless transmission centers and other interactive services.

Meanwhile, WOW remains ambitious. Ms. Marano hopes to have 10% of working women in nontraditional jobs in five years, up from 6.6% today. In the past 15 years, the percentage of women in nontraditional white-collar jobs such as law and medicine has increased, but there has been a slight decline in the percentage of women in blue-collar work.

WOW aims to change all that. Looking at Milwaukee NET, it's hard to argue that the effort isn't making a difference for at least some women.

One is Tina Couillard, 38, formerly a battered wife. Now running computerized gear-grinding machines, Ms. Couillard credits Milwaukee NET with "caring when no one else did" and helping her show her children "if you keep learning, life will turn around."

Another graduate is Cindy Wyndham, who says her job at EST Co., an aluminum foundry, is "a godsend; there had been days counting pennies to buy a loose cigarette." She had moved with two of her three children to Milwaukee from Chicago in 1990 after her husband was stabbed to death in a street fight. Only after Ms. Wyndham persevered in the foundry job could she afford a refrigerator.

Milwaukee NET has had its share of problems, too. At first, there wasn't a big enough push, to sign up unions and corporations to offer training or apprenticeship programs, says Nancy Hoffman, a former plumber who heads the program.

But research showed there would be jobs available to women with the right skills. So Ms. Hoffman and the Private Industry Council, which administers federal job funds, linked up with the Milwaukee Area Technical College (using federal job funds to pay the tuition). MATC now teaches classes in welding and machining expressly for Milwaukee NET students. Harley-Davidson Inc. also came through by agreeing to hire trained women and enlisting three of its suppliers to do so.

Even so, training does not guarantee a job, as the eight women in the first Wisconsin Electric line-mechanics class found out. After nine months of training for \$15-an-hour jobs, only one passed the aptitude test; then she flunked the physical. All used their training to find other nontraditional jobs, however, for \$8 or more an hour. Milwaukee NET has since revamped its line mechanics training school, and all of the original eight women plan to take the line mechanics test again in April.

Another problem Milwaukee NET had to remedy quickly was lack of support for women who encountered difficulties at work. "The realities of the workplace can be quite different from training," says Ms. Hoffman. Her staff now spends as much as half of its time keeping in touch with graduates and their employers.

Ms. Hoffman was surprised to learn recently that one of her graduates is unhappy because one of the men at work called her "stupid," and other co-workers are reluctant to help her out on the job. Ms. Hoffman vows to have a talk with the woman and her employer if necessary.

Chairman SHAW. Thank you.  
Mr. Flemming.

**STATEMENT OF HON. ARTHUR S. FLEMMING, CHAIR, SAVE OUR SECURITY COALITION; AND FORMER SECRETARY, U.S. DEPARTMENT OF HEALTH, EDUCATION AND WELFARE**

Mr. FLEMMING. Thank you, Mr. Chairman, for the opportunity of appearing before this Committee.

The Speaker of the House, in characterizing the programs that are under discussion at this time, including AFDC and SSI, wound up his characterization by saying we need to simply reach out, erase the slate and start over.

I was a reporter for what is now the "U.S. News & World Report" at the beginning of the Franklin Roosevelt administration. Up to that time the national community had paid very little, if any, attention to promoting the best interests of its people. I heard President Roosevelt appeal to the national community to pool its resources, both public and private, in order to help one another deal with the hazards and vicissitudes of life.

I saw one program after another emerge as a result of this appeal under the overall heading of Social Security. I have continued to see one President after another and one Congress after another build on this concept.

I had the privilege of serving in President Eisenhower's Cabinet in both his first and second terms, the first term as Director of Defense Mobilization, the second term as Secretary of Health, Education and Welfare. I observed the President appealing to the Congress of the United States with success to strengthen the Social Security Program through very significant amendments for our social insurance program for retirees and also for survivors.

I witnessed his appealing to the Congress with success to add the disabled to the Social Security Program. I saw him also recommend to the Congress a very liberal program designed to assist the elderly in dealing with their health care. In fact, I had the privilege of presenting that program to this Committee, and I am always proud of the fact that I did have the opportunity of presenting it.

Likewise, as President Eisenhower thought in terms of a national community, I witnessed him recommend to the Congress and have the Congress accept the National Defense Education Act. In other words, President Eisenhower was a President who believed in building the national community.

I also had the privilege of serving on the White House staff under President Nixon, particularly in 1972. In that year, I saw him sign a bill calling for a 20-percent increase in Social Security, the last overall increase that we have had. I saw him persuade the Congress of the United States that, as far as Social Security benefits are concerned, they should be adjusted annually for cost of living.

I saw him also recommend to the Congress of the United States an income floor for the entire population. It passed the House, but the Senate would not accept it. Having failed to get a full loaf, he asked for half a loaf. He asked the Congress to approve the Supplemental Security Income Program for the aged and blind and disabled. I also saw him recommend to the Congress of the United

States that the national community adopt a national health plan with employer mandates. He was a firm believer in the development and strengthening of the national community.

I have also had the opportunity of serving under Democratic Presidents who have taken similar steps. It has been a bipartisan effort to bring into existence a national community that cares about its citizens.

I had the privilege under President Bush's administration to serve as chairman of a committee that did an indepth study of the Supplemental Security Income Program. We found that that program aided millions of people. We found it could be improved. We made recommendations for its improvement.

I am proud to belong to a national community that is responding to the needs of millions of its citizens, but I do not believe that this is the time to erase the slate and start over again. I believe we should build on the accomplishments of the past and improve the role of the national community, as well as State and local communities and also the private sector.

Thank you.

[The prepared statement follows:]

TESTIMONY OF

ARTHUR S. FLEMMING  
Chair, Save Our Security Coalition  
Former Secretary of Health, Education and Welfare

I. Introduction

A. I appreciate the opportunity of appearing before this committee on behalf of the Supplemental Security Income (SSI) program.

B. The overall attempt to reduce the number of poor on both SSI and AFDC programs is to save money in order to reach a balanced budget by 2002.

C. The Speaker of the House in describing this crusade against the poor characterized all the programs that are under consideration in the following manner:

"They are a disaster. They ruin the poor. They create a culture of poverty and a culture of violence which is destructive to this civilization, and they have to be thoroughly replaced from the ground up. We need to simply reach out, erase the slate and start over."

D. I was a reporter for what is now the U.S. News and World Report at the beginning of the Franklin Roosevelt Administration.

1. Up to that time, the national community had paid very little, if any, attention to promoting the best interests of its people.

2. I heard Franklin Roosevelt appeal to the national community to pool its resources, both public and private, in order to help one another deal with the hazards and vicissitudes of life.

3. I saw one program after another emerge as a result of this appeal.

4. I have continued to see one President after another and one Congress after another build on this concept.

5. I am proud to belong to a national community that has responded to the needs of millions of its citizens.

E. Now we are told that the accomplishment of sixty years should be erased and we should start over.

II. Body

A. When President Nixon, in 1972, called upon the national community by pooling its resources, public and private, to provide assistance to the aged, blind, and disabled in dealing with the hazards and vicissitudes of life the nation responded and SSI was born.

1. It provides for a national income floor, which today is still below the poverty line.

2. In August 1992, I submitted, as Chairman, a report on SSI by a panel of persons outside of government who had been appointed by Gwendolyn S. King, the Commissioner of Social Security under President Bush.

B. Our group found that millions of persons had their standard of living lifted by SSI, although it was still below the poverty line.

1. We concluded that SSI could be improved, and made suggestions for its improvement.

2. We believed that it had made and was making a tremendous contribution to the people of our national community.

C. H.R. 4 would strike at the heart of SSI and AFDC.

1. It would terminate both programs as entitlement programs.

2. In 1993, SSI approved the applications of 970,000 persons who were entitled to benefits.

D. If H.R. 4 became the law of the land some of the close to one million persons who each year are declared eligible for SSI would be told they could not claim their benefits because the Social Security Administration had run out of money.

1. SSI would have to determine which persons were not going to receive their benefits on a first-come, first-served basis.

2. Or it would be necessary to establish a system to determine those who needed the services more than others.

3. The same would be true for the AFDC program.

### III. Conclusion

A. Whatever system is used, thousands of eligible persons would be turned away in an arbitrary and capricious manner.

B. We know that, although we are the wealthiest nation in the world, the rich are getting richer and the poor poorer.

C. We should be engaged in a crusade to serve the poor by meeting their everyday needs but at the same time a crusade that does everything possible to aid the adults under both programs to find a place in the labor market.

D. SSI and AFDC should be retained as entitlement programs.

Chairman SHAW. Thank you, Mr. Flemming.  
Mr. Johnson.

**STATEMENT OF HON. RANDY JOHNSON, COUNTY COMMISSIONER, HENNEPIN, MINNESOTA; AND THIRD VICE PRESIDENT, NATIONAL ASSOCIATION OF COUNTIES**

Mr. JOHNSON. Thank you, Mr. Chairman and Members of the Subcommittee.

I am Randy Johnson, Commissioner of Hennepin County, Minnesota, and third vice president of the National Association of Counties, NACO, which represents the Nation's 3,000 counties. I am pleased to be before you today to talk about the county perspective on welfare reform and to share some information about Minnesota's welfare reform program that has very strong bipartisan support in our State.

In the interest of time, I will summarize my remarks and ask that my full statement be included in the record.

The role of county governments in welfare varies widely among the States. In some States, welfare is solely a State responsibility. In 18 States, counties contribute to the administrative costs of AFDC, and in 11 States counties also help match the non-Federal share of benefits. Child welfare, child support, child care and other support services are also provided by counties.

NACO shares many of the concerns and goals in welfare reform. We support the development of a comprehensive simplified welfare system that rewards work, strengthens families and trains people for jobs that promote long-term self-sufficiency. We agree that child support enforcement efforts need to be improved and enhanced.

NACO is very concerned, however, about the effect that the capped block grant proposals will have on county government. NACO's policy opposes block grants and spending caps for Federal entitlement programs, such as AFDC, food stamps and foster care. Our policy also supports maintaining the entitlement nature of these programs, both for State reimbursement and for individual benefits.

Entitlement programs for low-income families and children are designed to provide basic subsistence needs. They respond to conditions of the national economy, such as inflation, unemployment and increases in poverty that are beyond the control of State and local governments. Under a capped block grant, there would be no additional Federal funding available to meet increased demand for these services in case of a recession, and that is when the help is needed the most.

Strict time limits are also a concern. NACO generally supports the concept of time-limited assistance. Our policy, however, does not specify specific time limits and further stipulates that they must be accompanied with adequate Federal funds for job training, job creation and support services, such as child and health care. The reason for our concern about strict time limits are that in some areas there may be not be suitable available employment and that welfare participants have different skill training needs. Local officials should be able to determine time limits and whether to provide education and training or require immediate job placement.



Another issue of great concern to counties is the proposed elimination of benefits to legal immigrants. One reason for our concern is the possible increase in the number of people using emergency rooms and uncompensated care in county hospitals due to the elimination of basic Medicaid and other public health services. Establishing and enforcing immigration policy is a Federal responsibility, and the Federal Government should therefore also have the financial responsibility for this population.

While NACO generally opposes block grants in entitlement programs, if these block grants are enacted, we have the following recommendations: First, there must be some financial protection for State and local governments in the case of economic downturns. I understand that you are considering such a provision in the form of a rainy day fund.

Second, flexibility must not stop at the State level. It must also be extended to local governments. Third, local elected officials must be involved in developing State plans. A mandate from the State capitol in St. Paul is every bit as much of a mandate as one that comes from Washington, DC. Fourth, overly prescriptive requirements should not be included. Fifth, there should be national performance goals, rather than strict requirements. These goals should be based on outcomes, rather than on meeting audit and eligibility requirements. Finally, NACO supports the national minimum benefits standard. This provision would become particularly important if both the AFDC and Food Stamp Programs are turned into block grants, because the food stamp benefit now serves as something of an equalizer in States that have low AFDC benefits.

In conclusion, Mr. Chairman and Members of the Committee, let me take a moment to tell you about what we are doing in Minnesota with the Federal waiver that it took us 6 years to obtain. In 1994, Minnesota began a pilot program in seven counties called the Minnesota Family Investment Program or MFIP. My county of Hennepin, which includes Minneapolis and suburbs, is one of the State's seven program sites.

MFIP targets the likely long-term recipients, those under 22, never married, no diploma or GED. This is the group that in our State, and I think nationally, is by far the longest and most likely long-term recipients. Under MFIP, the 38-percent income disregard is not time limited, the 100-hour rule has been eliminated, and families can increase their income to about 150 percent of the poverty level. We have done this for only 7 months, Mr. Chairman, our success is preliminary, but very good. These are the types of programs that we think States will enact and local governments will implement if we have the flexibility.

Again, thank you, Mr. Chairman. We appreciate this opportunity.

[The prepared statement and attachment follow:]

TESTIMONY OF RANDY JOHNSON  
NATIONAL ASSOCIATION OF COUNTIES

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM RANDY JOHNSON, COMMISSIONER OF HENNEPIN COUNTY, MINNESOTA, AND THIRD VICE PRESIDENT OF THE NATIONAL ASSOCIATION OF COUNTIES (NACO). I AM VERY PLEASED TO APPEAR BEFORE YOU TODAY TO TALK ABOUT THE COUNTY PERSPECTIVE ON WELFARE REFORM AND TO SHARE WITH YOU SOME OF THE EXCITING THINGS WE ARE DOING IN MINNESOTA. IN THE INTEREST OF TIME, I WILL SUMMARIZE MY REMARKS AND ASK THAT MY FULL STATEMENT BE INCLUDED IN THE RECORD.

THE ROLE OF COUNTY GOVERNMENTS IN WELFARE VARIES WIDELY AMONG STATES. IN SOME STATES WELFARE IS SOLELY A STATE RESPONSIBILITY. IN EIGHTEEN STATES COUNTIES CONTRIBUTE TO THE ADMINISTRATIVE COSTS OF THE AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC). IN ELEVEN STATES, COUNTIES ALSO HELP MATCH THE NON-FEDERAL SHARE OF BENEFITS. CHILD WELFARE, CHILD SUPPORT, CHILD CARE, AND OTHER SUPPORT SERVICES ARE OFTEN PROVIDED BY COUNTIES.

THE RESPONSIBILITY FOR GENERAL ASSISTANCE (USUALLY FOR SINGLE ADULTS WITHOUT DEPENDENTS) IS SOMETIMES SHARED BY THE STATE AND THE COUNTIES, AS IS THE CASE IN NEW YORK. IN OTHER STATES, SUCH AS CALIFORNIA, COUNTIES HAVE FULL RESPONSIBILITY FOR GENERAL ASSISTANCE. AS YOU KNOW, MR. CHAIRMAN, YOUR STATE OF FLORIDA DOES NOT HAVE A GENERAL ASSISTANCE PROGRAM, BUT SOME COUNTIES FUND EMERGENCY PROGRAMS.

NACO SHARES MANY OF YOUR CONCERNS AND GOALS IN WELFARE REFORM. WE SUPPORT THE DEVELOPMENT OF A COMPREHENSIVE, SIMPLIFIED WELFARE REFORM SYSTEM THAT REWARDS WORK, STRENGTHENS FAMILIES, AND TRAINS PEOPLE FOR JOBS THAT PROMOTE LONG-TERM SELF-SUFFICIENCY. WE AGREE THAT CHILD SUPPORT ENFORCEMENT EFFORTS NEED TO BE ENHANCED.

NACO IS VERY CONCERNED, HOWEVER, ABOUT THE EFFECT THAT CAPPED BLOCK GRANT PROPOSALS WILL HAVE ON COUNTY GOVERNMENTS. NACO'S POLICY OPPOSES BLOCK GRANTS AND SPENDING CAPS FOR FEDERAL ENTITLEMENT PROGRAMS SUCH AS AFDC, FOOD STAMPS, AND FOSTER CARE. OUR POLICY ALSO SUPPORTS MAINTAINING THE ENTITLEMENT NATURE OF THESE PROGRAMS, BOTH FOR STATE REIMBURSEMENT AND INDIVIDUAL BENEFITS.

ENTITLEMENT PROGRAMS FOR LOW-INCOME FAMILIES AND CHILDREN ARE DESIGNED TO PROVIDE BASIC SUBSISTENCE NEEDS. THEY RESPOND TO CONDITIONS OF THE NATIONAL ECONOMY, SUCH AS INFLATION, UNEMPLOYMENT, AND INCREASES IN POVERTY THAT ARE BEYOND THE CONTROL OF STATE AND LOCAL GOVERNMENTS. UNDER A CAPPED BLOCK GRANT, THERE WOULD BE NO ADDITIONAL FEDERAL FUNDING AVAILABLE TO MEET THE INCREASED DEMAND FOR CASH ASSISTANCE AND OTHER SOCIAL SERVICES IN CASE OF A RECESSION. AND THAT IS WHEN THE HELP IS NEEDED THE MOST. SO OFTEN WE HEAR - AND MANY OF US WHO RUN FOR ELECTIVE OFFICE SAY - "WHEN TIMES GET

TOUGH, THE GOVERNMENT HAS TO TIGHTEN ITS BELT TOO." THAT'S TRUE IN MANY AREAS. BUT WHEN "TIMES GET TOUGH" IS EXACTLY WHEN NEED FOR THESE TYPES OF ECONOMIC ASSISTANCE ARE THE GREATEST.

WE BELIEVE THAT THERE ARE MANY THINGS THAT CAN BE DONE TO SIMPLIFY THE SYSTEM AND REMOVE BARRIERS TO EMPLOYMENT AND FAMILY FORMATION WITHOUT CHANGING TO CAPPED BLOCK GRANTS. THERE SHOULD BE UNIFORM RULES AND DEFINITIONS (PARTICULARLY FOR ASSETS SUCH AS AUTOMOBILES) AMONG FEDERAL MEANS-TESTED PROGRAMS SUCH AS AFDC, FOOD STAMPS AND MEDICAID. STATES SHOULD BE ALLOWED TO ELIMINATE THE 100 HOUR RULE AND INCREASE EARNINGS DISREGARDS WITHOUT GOING THROUGH THE WAIVER PROCESS. ANOTHER POSSIBILITY WOULD BE TO EXPAND THE WAIVER AUTHORITY FOR THE FOSTER CARE PROGRAM THAT CONGRESS ENACTED LAST YEAR.

WELFARE REFORM MUST INCLUDE AN AGGRESSIVE FEDERAL STRATEGY TO CREATE JOBS, PARTICULARLY PRIVATE SECTOR JOBS. SUPPORT SERVICES SUCH AS HEALTH CARE, CHILD CARE, AND TRANSPORTATION ARE ESSENTIAL TO HELPING FAMILIES ACHIEVE LONG-TERM SELF-SUFFICIENCY. STATES SHOULD BE ALLOWED TO INCREASE TRANSITIONAL SERVICES SUCH AS MEDICAID AND CHILD CARE BEYOND ONE YEAR WITH FEDERAL FINANCIAL SUPPORT.

IN APRIL 1994, MINNESOTA BEGAN A PILOT PROGRAM IN SEVEN COUNTIES, CALLED THE MINNESOTA FAMILY INVESTMENT PROGRAM (MFIP). I WAS INVOLVED IN THE ADVISORY GROUP THAT DEVELOPED MFIP,

AND OBTAINED THE FEDERAL WAIVERS. MY COUNTY OF HENNEPIN, WHICH INCLUDES MINNEAPOLIS AND ITS SUBURBS, IS ONE OF THE STATE'S SEVEN PROGRAM SITES. UNDER MFIP THE 38% INCOME DISREGARD IS NOT TIME-LIMITED; THE 100-HOUR RULE HAS BEEN ELIMINATED; AND FAMILIES CAN INCREASE THEIR INCOME TO ABOUT 150% OF THE POVERTY LEVEL BEFORE LEAVING MFIP. THE PROGRAM ALSO INCLUDES PERFORMANCE EXPECTATIONS AND REQUIRES THOSE WHO DO NOT LEAVE MFIP ASSISTANCE ON THEIR OWN TO WORK WITH A CASE MANAGER. IN SHORT, THE BASIC PHILOSOPHY OF MFIP IS THAT ABLE-BODIED PEOPLE SHOULD ALWAYS BE BETTER OFF WORKING THAN ON WELFARE; THAT THERE IS NOTHING WRONG WITH ASKING ABLE-BODIED WELFARE RECIPIENTS TO DO SOMETHING IN EXCHANGE FOR A GOVERNMENT CHECK; AND THAT THE GOAL OF WELFARE SHOULD BE SELF-SUFFICIENCY.

ALTHOUGH THE PROGRAM IS ONLY NINE MONTHS OLD, MFIP IS PRODUCING VERY ENCOURAGING PRELIMINARY RESULTS. THIRTY-TWO PERCENT OF THE URBAN FAMILIES ARE EMPLOYED, COMPARED TO FOURTEEN PERCENT IN THE NON-MFIP COMPARISON GROUP. FIFTY-TWO PERCENT OF THE RURAL FAMILIES ARE EMPLOYED COMPARED TO THIRTY-FOUR IN THE CONTROL GROUP. THE EARNINGS OF MFIP FAMILIES IN URBAN COUNTIES ARE ABOUT TEN PERCENT HIGHER THAN IN THE CONTROL GROUP. I HAVE BEEN TOLD THAT HENNEPIN COUNTY LEADS ALL URBAN COUNTIES IN THIS RESPECT.

ONE OF THE MAJOR OBJECTIVES OF WELFARE REFORM SHOULD BE TO PROTECT CHILDREN. SOME OF THE PROVISIONS IN THE PERSONAL RESPONSIBILITY ACT SUCH AS FAMILY CAPS, AND DENYING BENEFITS TO CHILDREN FOR WHOM PATERNITY HAS NOT ESTABLISHED ARE THEREFORE VERY TROUBLING. ONE OF THE UNINTENDED CONSEQUENCES OF THESE PROPOSALS COULD BE TO INCREASE FOSTER CARE PLACEMENTS.

IN MANY JUVENILE COURT STATUTES, THE DEFINITION OF NEGLECT INCLUDES LACK OF FOOD, CLOTHING, SHELTER, AND MEDICAL CARE. THE COMBINATION OF CAPPED BLOCK GRANTS AND DENIAL OF BENEFITS TO CHILDREN WOULD COMPOUND THE PROBLEM. WE MUST PRESERVE A NATIONAL SAFETY NET FOR CHILDREN; ONE OF ITS MOST IMPORTANT COMPONENTS IS CONTINUING FOSTER CARE AS AN ENTITLEMENT PROGRAM.

STRICT TIME LIMITS ARE ALSO A CONCERN. NACO GENERALLY SUPPORTS THE CONCEPT OF TIME-LIMITED ASSISTANCE. OUR POLICY, HOWEVER, DOES NOT SPECIFY SPECIFIC TIME LIMITS AND FURTHER STIPULATES THAT THEY MUST BE ACCOMPANIED WITH ADEQUATE FEDERAL FUNDS FOR JOB TRAINING, JOB CREATION, AND SUPPORT SERVICES SUCH AS CHILD CARE AND HEALTH CARE. THE REASONS FOR OUR CONCERN ABOUT STRICT TIME LIMITS ARE THAT IN SOME AREAS THERE MAY NOT BE SUFFICIENT AVAILABLE EMPLOYMENT, AND THAT WELFARE PARTICIPANTS HAVE DIFFERENT SKILLS TRAINING NEEDS. LOCAL OFFICIALS SHOULD BE ABLE TO DETERMINE TIME LIMITS AND WHETHER

TO PROVIDE EDUCATION AND TRAINING OR REQUIRE IMMEDIATE JOB PLACEMENT.

ANOTHER ISSUE OF GREAT CONCERN TO COUNTIES IS THE PROPOSED ELIMINATION OF BENEFITS TO LEGAL IMMIGRANTS. NACO STRONGLY OPPOSES ELIMINATING PROGRAM ELIGIBILITY FOR LEGAL IMMIGRANTS. THE MAJORITY OF LEGAL IMMIGRANTS WORK AND CONTRIBUTE THEIR SHARE OF TAXES. THEY ARE OFTEN, HOWEVER, EMPLOYED IN VERY LOW PAYING JOBS THAT DO NOT PROVIDE BENEFITS SUCH AS HEALTH CARE. MANY OLDER IMMIGRANTS WHO QUALIFY FOR SUPPLEMENTAL SECURITY INCOME DO SO BECAUSE THEY CAME TO THIS COUNTRY AT AN OLDER AGE AND DID NOT WORK THE NECESSARY QUARTERS TO QUALIFY FOR SOCIAL SECURITY.

WE ARE VERY CONCERNED ABOUT THE EFFECT THAT THESE RESTRICTIONS WILL HAVE ON LOCAL PROGRAMS. ONE AREA THAT IS PARTICULARLY TROUBLESOME IS THE POSSIBLE INCREASE IN THE NUMBER OF PEOPLE USING EMERGENCY ROOMS AND UNCOMPENSATED CARE IN COUNTY HOSPITALS DUE TO THE ELIMINATION OF BASIC MEDICAID AND OTHER PUBLIC HEALTH SERVICES. ESTABLISHING AND ENFORCING IMMIGRATION POLICY IS A FEDERAL RESPONSIBILITY, AND THE FEDERAL GOVERNMENT SHOULD THEREFORE ALSO HAVE THE FINANCIAL RESPONSIBILITY FOR THIS POPULATION.

WHILE NACO GENERALLY OPPOSES BLOCK GRANTS IN ENTITLEMENT PROGRAMS, IF THESE BLOCK GRANTS ARE ENACTED , I HAVE THE FOLLOWING RECOMMENDATIONS.

1) THERE MUST BE SOME FINANCIAL PROTECTION FOR STATE AND LOCAL GOVERNMENTS IN THE CASE OF ECONOMIC DOWNTURNS. I UNDERSTAND THAT YOU ARE CONSIDERING SUCH A PROVISION IN THE FORM OF A "RAINY DAY" FUND.

2) FLEXIBILITY MUST NOT STOP AT THE STATE LEVEL. IT MUST ALSO BE EXTENDED TO LOCAL GOVERNMENTS. IN MINNESOTA WE HAVE URBAN COUNTIES, SUBURBAN COUNTIES, RURAL COUNTIES, AND INDIAN RESERVATIONS, ALL WITH DIFFERENT CHARACTERISTICS AND DIFFERENT NEEDS.

3) LOCAL ELECTED OFFICIALS MUST BE INVOLVED IN DEVELOPING STATE PLANS. A MANDATE FROM THE STATE CAPITAL IN ST. PAUL IS EVERY BIT AS MUCH OF A MANDATE AS ONE THAT COMES FROM WASHINGTON, D.C..

4) OVERLY PRESCRIPTIVE REQUIREMENTS SHOULD NOT BE INCLUDED.

5) THERE SHOULD BE NATIONAL PERFORMANCE GOALS RATHER THAN STRICT REQUIREMENTS. THESE GOALS SHOULD BE BASED ON OUTCOMES RATHER THAN ON MEETING AUDIT AND ELIGIBILITY REQUIREMENTS. ONE OF THE MAJOR GOALS SHOULD BE MOVING FAMILIES INTO LONG-TERM SELF-SUFFICIENCY. OTHER BENCHMARKS COULD INCLUDE INCREASED HIGH SCHOOL COMPLETION RATES FOR TEENAGE PARENTS, INCREASED PATERNITY ESTABLISHMENT, AND REDUCTIONS IN TEENAGE PREGNANCY.



IN ADDITION, NACO SUPPORTS A NATIONAL MINIMUM BENEFIT STANDARD. THIS PROVISION WOULD BECOME PARTICULARLY IMPORTANT IF BOTH THE AFDC AND FOOD STAMP PROGRAMS ARE TURNED INTO BLOCK GRANTS BECAUSE THE FOOD STAMP BENEFIT NOW SERVES AS SOMETHING OF AN EQUALIZER IN STATES THAT HAVE LOW AFDC BENEFITS. WITHOUT SUCH A STANDARD, THOSE IN NEED WILL BE DRAWN TO AND ULTIMATELY OVERWHELM JURISDICTIONS WHERE PEOPLE ARE TRYING TO DO MORE TO HELP THEIR NEIGHBORS IN NEED.

IN CLOSING, I WOULD LIKE TO ADDRESS CHILD SUPPORT ENFORCEMENT. THIS SHOULD BE A MAJOR COMPONENT OF ANY FEDERAL WELFARE REFORM LEGISLATION. CONGRESS NEEDS TO SEND A STRONG MESSAGE THAT THIS IS A NATIONAL PRIORITY AND MUST ENHANCE FEDERAL EFFORTS TO IMPROVE THE SYSTEM. THIS SHOULD INCLUDE INCREASED FEDERAL MATCHING RATES, GIVING STATES ACCESS TO INTERNAL REVENUE SERVICE DATA, HELPING STATES WITH THE COST OF NEW AUTOMATED SYSTEMS, AND TECHNICAL ASSISTANCE.

AGAIN, THANK YOU MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE FOR THE OPPORTUNITY TO EXPRESS THE VIEWS OF COUNTIES ON THIS ISSUE OF VITAL IMPORTANCE TO OUR NATION.

## 6L. Resolution on Federal Welfare Reform

WHEREAS, President Clinton has submitted legislation to Congress for major restructuring of the welfare system that includes principles long supported by the National Association of Counties in The American County Platform; and

WHEREAS, the legislation's principles include:

- Making Work Pay, with incentives that encourage families to work and not stay on welfare, and that help is available to ensure that they can work and adequately support a family;
- Improved Child Support Enforcement, with responsibility of both parents to support their children and stronger systems for identifying fathers and ensuring their support;
- Education, Training, and other Services to help people get off welfare and stay off, building on the Family Support Act of 1988 as a base;
- Time-limited Transitional Support System, in which those who are healthy and able to work will be expected to move off welfare quickly, and those who cannot find jobs should be provided with work and expected to support their families; and

WHEREAS, the Administration had an extensive consultation process with the National Association of Counties and other national organizations; and

WHEREAS, many of the proposals pending before Congress would finance welfare reform through reductions or caps in entitlement programs and would reduce or eliminate immigrants' eligibility for a number of federal programs and these financing mechanisms would shift costs to county and state governments; and

WHEREAS, counties and states will have to make significant changes in the way programs are operated, changes that require staff training and acquisition of new equipment which could adversely affect the delivery of these services or cause an increase in the state and/or local fiscal responsibility; and

WHEREAS, in order for welfare reform to succeed, every effort must be made to ensure that employment is available to those making the transition to work:

THEREFORE, BE IT RESOLVED that the National Association of Counties commends the Clinton Administration for making comprehensive welfare reform a legislative priority, to end the current, unworkable system of public assistance programs, and for their extensive consultation process; and

BE IT FURTHER RESOLVED that any welfare reform that includes time-limited eligibility for assistance and transitional support services, must also provide adequate federal funding for the necessary job training, job placement, continued subsistence grants, health care coverage, child care, transportation, and administration; and

BE IT FURTHER RESOLVED that welfare reform must include an aggressive federal strategy to create jobs that promote durable self-sufficiency; and

BE IT FURTHER RESOLVED that the entitlement nature of public assistance and social services programs should be preserved in restructuring welfare, both for payments to states, and for individual benefits; and

BE IT FURTHER RESOLVED that the National Association of Counties reaffirms its strong opposition to proposals that would shift costs to county governments, such as entitlement program caps and reductions, and eliminating or reducing immigrants' eligibility for federal programs; and

BE IT FURTHER RESOLVED that counties and states must have the flexibility and adequate time to design and implement a program that will meet the needs of the local population and the local employment market; and

BE IT FURTHER RESOLVED that the National Association of Counties urges the Congress and the Administration to enact and implement the program simplification recommendations of the Welfare Simplification and Coordination Advisory Committee and the American Public Welfare Association's Program Coordination Task Force; and

BE IT FURTHER RESOLVED that the National Association of Counties strongly supports waiving the state matching requirement for the Job Opportunities and Basic Skills program, and substantially increasing the federal match for the At-Risk Child Care program, and Child Support Enforcement; and

BE IT FURTHER RESOLVED that federal welfare reform should incorporate electronic technology improvements, especially electronic benefit transfers, in revising and restructuring public assistance benefit programs; and

BE IT FURTHER RESOLVED that in order to encourage experimentation and improvements in the welfare system, as an interim step, the federal government should remove the "cost neutral" criterion for waivers and demonstration programs and simplify the procedures for approving state and county applications for such waivers; and

BE IT FURTHER RESOLVED that in order to encourage the success of welfare reform the National Association of Counties supports the inclusion of the job training delivery system as the workforce development vehicle for major coordination among the partners, including human services, education, and local elected officials; and

BE IT FURTHER RESOLVED that the National Association of Counties supports the Administration's proposed elimination of the current JOBS targeting requirement, but is concerned about the proposed penalties for failure to meet new performance standards. New standards must be phased-in and counties must be involved in their development.

Adopted August 4, 1994

Chairman SHAW. Thank you, Mr. Johnson.

Ms. Dunn will inquire.

Ms. DUNN. No questions.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Mr. Johnson, it is interesting. We met over the weekend with Governors and both Members of the Senate and the House, along with some local elected officials, and I think there were two county elected officials present at the Welfare Summit.

Tell me a little bit more about flexibility and how local governments can participate in the flexibility of this so-called block grant program that we are talking about. The reason I say that, one of the mayors indicated that if local governments are not participants in this, they are the ones that will have to pick up all of the real problems that will be a spinoff of any type of block grant program. By giving the States all the flexibility that they want, cutting people off the welfare rolls will make many more problems that we are not talking about or addressing in this welfare proposal that is before this Committee today. Can you elaborate a little bit more on that?

Mr. JOHNSON. Yes, Congressman. Every State is different in how it administers welfare. Some States do not even have counties and counties obviously are not involved. In other States, counties are the primary deliverer of AFDC and other welfare services, as in my State.

My State might be a good example. In Minnesota, we have large urban areas, we have suburban areas, we have rural areas, and we have Indian reservations. We have differences in those four areas as to costs, needs, transportation, and job and employment availability. Just as a one-size-fits-all national welfare system is not going to work in every State, in many States a one-size-fits-all State system is not going to work.

What we want to do is make sure that in those States where counties are expected to deliver welfare services, counties also have a role up front in saying how those services need to be delivered. We are the ones on the front lines in any State.

Mr. FORD. Will the Governors make sure that the county role will be protected, or should we do it from the Federal level?

Mr. JOHNSON. Congressman, on behalf of NACO, we would like some assurance in the legislation that where local governments are responsible for implementing and delivering these services, that we will have a role to play in designing them. I know that many of the Governors are very open to this and other Governors perhaps have not thought about it, and in some States it is really not a relevant consideration.

Mr. FORD. Mr. Grubbs, you talked about automating the child enforcement methods. Do you have any idea or suggestion as to what Federal standards should be in place as we proceed, in what you talked about earlier in automating the child enforcement methods?

We have heard from so many States and so many Governors in recent days, and all have indicated that the system under current law has not been able to work, when those absent or deadbeat fa-

thers or the noncustodial parent, crosses State lines, child support enforcement becomes very difficult.

Although if I drove in your State and got a traffic ticket, naturally, if I did not pay that ticket in 30 days, I am going to get my license revoked in my State. That is not true when one crosses the State line under the child support enforcement laws that are now in place. We do not have in place a mechanism to automate that would protect the children and assist in the collection of child support moneys.

Mr. GRUBBS. Mr. Ford, I think you identified obviously one of the biggest problems still facing the child support program, and that is the whole issue of interstate enforcement. Some States have very, very good laws and their programs frankly are better than in other States.

Our biggest concern, however, is to have the Federal Government available in a positive and productive way to help the States understand how programs work in other States, what ways that it could be improved in States that are not doing as well, but not micromanaging the way that actually occurs when it is implemented by a State or county IV-D agency.

I am afraid there has been a little bit too much of that in this program. I think there are some States that have taken the lead in improving their interstate enforcement. Many of the provisions that are included in the Democratic welfare reform provisions have come from the initiation of States, and I think that is the best way to let it continue. Frankly, Tennessee is one of the leading States in the privatization effort. They are doing a tremendous job at improving child support by contracting a lot of the public programs to some of the private sector firms that I mentioned.

Mr. FORD. Thank you.

Chairman SHAW. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Mr. Grubbs, in your testimony you supported early paternity establishment, and I was wondering why is that important, and would you consider this to be, if we do go to a block grant system, an appropriate guideline or a specific condition of funding?

Mr. GRUBBS. I think one of the most critical parts of the IV-D Program is early paternity establishment. The problem that has been faced by the States and by the Title IV-D Program is that too often at the point we are asked to establish paternity, the case is years old. We may not have the slightest idea of how to locate the alleged father.

The early paternity establishment efforts that have begun in many of the States are in the hospital at the time the mother and the alleged father are there. We are attempting to obtain voluntary acknowledgments. We are trying to set up programs in hospitals that can conduct genetic testing right on the spot, so that a positive identification of the father can occur, and that will save the Federal Government a tremendous amount of money in the long run, as opposed to a much later contested-type legal proceeding to establish paternity.

Mr. ENGLISH. I also noticed that you testified in favor of States, particularly interstate compacts for child support, rather than a federally operated system. Why do you make that argument, and

what do you think the relative advantages are of interstate compacts?

Mr. GRUBBS. I think one of the advantages to having the States make these compacts and determine for themselves the best way to improve interstate cooperation is because they are the ones actually operating these programs. They are there with the clients being served by the program, and they are there locating absent fathers and getting them to pay child support. The Federal Office of Child Support Enforcement, while it has an appropriate role at some policy level, does not have the firsthand knowledge or experience to operate really any significant component of this program. The States understand the program. The States and local governments understand this program the best.

Mr. ENGLISH. Thank you.

Beyond that, Mr. Chairman, I simply have more of a comment than a question for Commissioner Johnson. I have a certain amount of sympathy for NACO's position, as a former local elected official myself and someone who was involved in seeing the effects of mandates being passed down from both the Federal and State level.

But I must tell you, sir, I am not in complete sympathy with your testimony, for a variety of reasons. I see that you oppose block grants on a number of grounds, one of them being that you as counties should be involved in designing the local programs. I really do not think we should be dictating that necessarily to the States. I understand the historic tension between local government and State government and, again, I have participated in it. But it seems to me that this is an argument you should be posing to the States.

You make the point that has been made here before that block grants, if the funding formula is not somehow tied into allowing for an economic downturn, might impose certain burdens on States. But then you concede the point that the Chairman has made repeatedly, that we are looking to design a system that provides funding to account for that. I can tell you that I am strongly committed to providing that kind of insurance.

Finally, I see that you link your support for time limits to their being indeterminate at the Federal level and that they be tied to more funding for job creation. Now, I understand that the counties would enjoy very much having additional Federal funds to work with on job creation projects, but I myself do not feel that time limits should be wired into those funding questions. I believe that we can provide flexible block grants that address the concerns of localities and of State policymakers, and I believe that block grants right now provide a much greater opportunity for innovation than the current system provides.

So I hope you will take back to some of your colleagues, as I have already expressed to many of my local county officials, that I think block grants really are the way to go.

Thank you, Mr. Chairman.

Chairman SHAW. The time of the gentleman has expired.

Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

Just real briefly, Mr. Johnson, I share some of your concerns about the counties having more control and cities having more control. I think that what we need to do here at the Federal level is get it back to the States, and then it is up to you at the local levels to make sure the States get some of the influence and some of the power back to the State and local governments.

I think that a lot of us that were just elected were elected on that premise, that we believe the more control we can have closer to the people, the way our government was originally set up, the better the government can be accountable, the better the funds can be used, everything just works out better in the long run. It can be privatized much more easily. So I think we support in general what you want. It is just not up to us to make the States prompt local involvement.

Mr. Flemming, I do have a question for you. You mentioned in your written testimony that SSI should be kept the same. We have heard some pretty dramatic testimony on a lot of fraud and abuse that goes on with SSI. SSI was originally set up obviously for severely disabled, elderly and children, and now we have a lot of abuse going on because they have so broadened the definition of who can receive SSI, including people that are drug addicts. Do you feel that it should be continued as is, or should this Committee be looking at reforming some of the abuses that are going on in SSI?

Mr. FLEMMING. I did not quite get the latter part of your question.

Mr. ENSIGN. Drug addicts right now are classified to receive SSI the same as somebody who has cerebral palsy.

Mr. FLEMMING. Let me address myself to the drug addicts and alcohol addicts. I know that that is a problem. Congress a number of years ago passed a law saying that there should be representative payees injected into the Supplemental Security Income Program. These would be volunteers from the private sector who would serve as monitors in certain instances.

A little later on, Congress specified that SSI must provide a representative payee for an alcohol addict or a drug addict. Congress has since then provided that these public representative payees will work with them for a period of 3 years, try to get them into a program that will bring about a cure, but after 3 years, they are to be dropped.

Personally, I think that was a great idea, but the trouble is it is an unfunded mandate. The Congress of the United States has never provided any money for the representative payees. The claims experts and representatives at SSI have had to absorb that and, as time has gone on, that workload has become greater and greater.

I feel that if the Congress will back up the legislation which went through this particular Committee, that the Appropriations Committee will give them some resources so that they can work on that problem. They can get a very constructive result. Personally, I do not agree with the idea of dropping them at the end of 3 years. It may be that we have not succeeded at the end of—

Mr. ENSIGN. Mr. Flemming, we had testimony in front of this Committee from people that are treating some of these people that the worst thing that we can possibly do for some of these people

is to give them the cash benefits that we are doing right now, and the reason behind that is they said that people that were starting with successful treatment, as soon as they started getting these cash benefits, they started supporting their drug habits with this. We had a lot of testimony that said to stop this, you are hurting these people you are trying to help.

Mr. FLEMMING. My only point is allow representative payees to work with individuals, and if they find that one thing is not working, let them try something else. But keep in mind the fact that when we drop them, then some institution of society is going to pick them up at a much greater expense than we have incurred in working with them as individuals. I believe there is a possibility of working with individuals and bringing about a constructive result, and I believe these representative payees who are volunteers can do a very good job along that particular line. But give them a chance to keep working with the individual in an effort to bring that about.

Mr. ENSIGN. Thank you, Mr. Chairman.

Chairman SHAW. The time of the gentleman has expired.

Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

Dr. Pearce, if I might ask you, because you have worked with people in the welfare system, to sum up what you think, based on your experience, what the best answers are. Clearly, the system in many, many, many cases is not working. What works and what does not work?

Ms. PEARCE. What works is to provide for individuals what they need. Some individuals when they come under welfare are ready to leave, and, as we know, many do leave very quickly and get jobs. They just need help with job search. Many others, the majority have serious barriers in terms of education and job skills.

What works is a combination of education and specific job skills. What we think works particularly with people with low literacy skills is functional context literacy, where they learn their math skills at the same time as they are learning carpentry, and putting them into jobs that are high-paying traditional jobs or nontraditional jobs or postsecondary education.

If we simply push women back into the work force without any kind of education and training, they have already done this work. Many of them have already been on welfare. Half of welfare applicants are reapplicants. They have tried to make it out there and they find they cannot. Two-thirds of those who go out for a job find that they cannot support themselves and their family in return. To break that cycle, we need to provide job training.

We are not talking about years and years and years. We are talking about specific training, particularly in nontraditional jobs. That really works. We have a whole group of people in class after class who graduate from our program and many of the other programs from the programs that the Petitioners' Panel represents who can show that.

One of the things that has happened is that the JTPA has a new act, nontraditional employment for women, which is being implemented. That has resulted in more and more women through JTPA, many of whom are welfare recipients, about 40 percent are



welfare recipients, getting training in nontraditional jobs that pay living wages, and they get off of welfare and off of all subsidy.

Mr. LEVIN. Thank you.

Mr. Grubbs, one of the questions we are going to be considering in terms of support relates to the establishment of paternity. You have had a lot of experience. What should we do where the woman cooperates, but the State is not able to establish paternity right away? What should the system do in that case?

Mr. GRUBBS. Mr. Levin, that is a problem and we see it in the child support enforcement program all the time. I can remember the first time when I was working in a IV-D agency when I saw the woman asked to provide the name of the father on our application form; "Joe," and it made it a very, very difficult problem for IV-D workers to try to follow up on.

Obviously, there must be a much stronger effort, particularly at intake, and with the IV-D Program some of that intake is going to occur in welfare offices, if you are dealing with AFDC clients. Much more has to be done to try to elicit names and to get some accuracy into at least the likelihood of who may be a father. Once we do that, genetic testing can take over. But that is a tough issue and it is one that, as more time goes by from the birth until the time we attempt to establish paternity, the tougher it is going to get.

Again, I go back and say early paternity establishment in the hospitals, ideally with positive genetic testing, is going to be the best way to resolve that issue.

Mr. LEVIN. I think that is agreed. Where the woman cooperates, how should the system respond if paternity cannot be established right away?

Mr. GRUBBS. Obviously, for the child support enforcement program, the responsibility pretty much ends there. If there is simply no way that we can identify a father in order to try to establish the child support obligation, the IV-D Program's responsibility pretty much ends there and the——

Mr. LEVIN. What do you think should happen within the AFDC system?

Mr. GRUBBS. That is not my area of expertise. Obviously, I think in some of those situations clearly, if it is a family in need, they have to be taken care of, but it is not simply going to come through child support enforcement. If we do not have a father, then we are not going to be able to establish child support and provide that family with the support that they need.

Mr. LEVIN. Thank you.

Chairman SHAW. The time of the gentleman has expired.

Mr. Johnson, Mr. Liederman on the prior panel was referring to some statistical information coming out of Wisconsin. I do not know whether you heard his testimony. In looking to the way the Congress should be talking about getting things down to the local level, are you seeing that cooperation in your State?

Mr. JOHNSON. Mr. Chairman, we are beginning to see it now. We had a situation, a political situation in our State 8 years ago where a legislative session came to a bitter impasse over reforming AFDC and other welfare programs, whether to cut some benefits and pro-

vide greater incentives with that money, or whether to just increase benefits and give more money to more people more quickly.

The Governor's recommendation was to appoint a 10-member blue ribbon bipartisan commission, appointing people from the far left and the far right to look at AFDC welfare reform. I was asked to cochair that commission, and it was expected, because we spanned the spectrum that there was no chance over the 5 months we had hearings to come to an agreement. We came to the unanimous agreement on how we thought AFDC should be reformed within our State. It was not a compromise where everybody grudgingly gave things. It was an enthusiastic agreement. It took us about 6 years to get the waivers from the Federal Government, and we approached the Federal Government on a very bipartisan basis.

Chairman SHAW. Your Governor, by the way, has been very active in helping to form a—

Mr. JOHNSON. Our Governor is now very supportive of the Minnesota Family Investment Program. He has had some other welfare reform initiatives that, quite frankly, at the logical level we have not been enthusiastic about, that we thought did not reflect what was really going on in the cities and counties. He is a very strong supporter of the Family Investment Program now.

When he was at the President's meeting on welfare reform over the weekend, he very strongly supported it. It works in our State. We know what works in our State. And when we talk about flexibility, this is the kind of program that I think will work in most States. I am not going to say it is going to work in every State. What we are doing is targeting our likely long-term recipients. In our State, the numbers are a little bit different from the national averages.

We know that in our State most people use AFDC exactly the way it was intended, that they come on, they use it for 2 to 3 years, they stabilize their families, they work their way off, they marry their way off or they get off of it. So let us not put a whole lot more money and resources into that group. Let us put our resources into the likely long-term recipients who over a 20-year period of time eat up most of the benefits and are not becoming self-sufficient.

That is where the Minnesota Family Investment Program tries to put our resources, not to skim the cream, not to help somebody who is likely to get off in 24 months to get off in 23 months, but to take the person who is very likely to be a long-term recipient and provide the resources, provide the expectation. We do not think there is anything wrong in our State to expect an able-bodied person to do something in exchange for a government check, and that is the essence of the Family Investment Program.

Chairman SHAW. I was in that meeting with your Governor and he was a very active participant, and I might say, very proud of what you all are doing in Minnesota, as was Governor Thompson of Wisconsin. I think you are going down parallel tracks and working the same way.

What effect has the imposition of the new welfare standards had, if any, on the poverty rates in Minnesota?

Mr. JOHNSON. I do not have any statistical evidence, but in our State the poverty rate depends more on how strong our economy is, than it does on almost anything else. The best welfare program

of all, in my opinion, is a booming economy. That is the best welfare program. But we do not always have a booming economy, and even in a booming economy there are people who need additional assistance.

Chairman SHAW. Thank you.

Mr. Camp.

Mr. CAMP. No questions, Mr. Chairman.

Chairman SHAW. Thank you very much. I appreciate this panel. You have done an excellent job for us and contributed much to our efforts. Thank you very much.

If the next panel would come up to the desk, we have Erica Tollett, who is senior public policy analyst of the National Black Child Development Institute, Inc.; Hon. Ed Austin, mayor of the city of Jacksonville in my home State of Florida, on behalf of the National League of Cities and the Florida League of Cities; Hon. Robert Gaffney, county executive of Suffolk County, New York, who will be accompanied by one of our freshman members, Mr. Forbes; Robert Fersh, president of the Food Research and Action Center; and Sharon Darling, founder and chief executive officer of the National Center for Family Literacy.

We have each of your written testimonies which will be made a part of the permanent record of this hearing. You may summarize or proceed as you wish.

Ms. Tollett.

**STATEMENT OF ERICA E. TOLLETT, SENIOR PUBLIC POLICY ANALYST, NATIONAL BLACK CHILD DEVELOPMENT INSTITUTE, INC.**

Ms. TOLLETT. Good morning, Chairman Shaw and Members of the Subcommittee.

I am Erica Tollett and I am senior public policy analyst for the National Black Child Development Institute located here in Washington, DC.

These hearings are important, because the Federal Government can make a positive difference in the lives of people. For example, Federal antipoverty programs initiated in the sixties reduced the country's poverty rate from 22.2 percent in 1960 to 12.8 percent in 1968. Poverty influences family formation, causes poor health and creates conditions for crime and violence. The best way to end poverty is with a good paying job. Good paying jobs would greatly reduce the need for welfare in America. Employment builds self-esteem which enables parents to do a better job in their role as parents.

We at NBCDI agree that improvements are needed in the current welfare system, and we have three suggestions for improving it. Congress must lead efforts to create jobs. States must require parents to participate in long-term parenting programs, and early childhood education and child care programs must be expanded.

Although a reformed welfare system must emphasize work, Congress must address the need to create jobs to enable people to work, especially African-Americans. We were pleased to note that, for the first time since 1974, the black unemployment rate for the month of December 1994 was in single digits, at 9.8 percent. How-

ever, the average unemployment rate for blacks in all of 1994 was 11.5 percent, compared to 5.3 percent for whites.

Our work at NBCDI indicates that you do not have to "cajole, lure or force adults off welfare and into paid employment as quickly as possible," as stated in the Personal Responsibility Act. Adults want to work. Legislative language must be written in a way that does not demean poor Americans.

Double digit unemployment and a 33-percent poverty rate have greatly diminished the health and well-being of too many African-American families in this country. Families in our urban areas are experiencing the distress of unemployment and poverty that rivals floods, Earthquakes and hurricanes. The unemployment rate of blacks should be at least cut in half.

Many jobs could be created in our cities, such as working in the health care field, work crews to repair public housing, remodeling housing and child care. Mothers in our Spirit of Excellence Parent Empowerment Program, which we call PEP, have expressed an interest in these jobs. Our PEP Program provides life skills, parenting skills and child development information to young low-income parents of children from birth to age 3 here in Washington, DC. Of course, as jobs are created, the need for training becomes important.

So when parents are equipped, educated and employed, their children grow and thrive. Based upon our PEP Program, we believe that in a reformed welfare system, States should require parents to participate in a parenting program when they apply for benefits, and programs must be long term.

While PEP initially focused on the mother, many fathers, uncles and grandfathers have become involved. Fathers need support groups. We also need more onsite child care centers in public housing and poor urban and rural settings. No matter what the income level, when parents are comfortable with their child care arrangements, they are able to stay more focused on their job or school obligations, and their confidence as parents is increased, as well as their productivity as workers.

High quality early childhood experiences form the foundation for the healthy development of children. Strengthening family life should be one of the most important policy goals for Federal, State and local governments. We know that the overall well-being of children is very much influenced by parental education and family income. Employment, parenting programs, and child care are basic elements to strengthening family life. Children cannot be separated from the circumstances and the needs of their parents when policies are developed for children and families.

So there is more leadership that is needed at the Federal, State and local levels to at least cut in half the unemployment rate experience by African-Americans, and we need to reduce the high poverty rate among African-Americans.

Finally, there must be special attention to the circumstances of African-American men. While it is necessary to emphasize paternity establishment and child support enforcement, it is also important to recognize that children need empowered fathers. A reformed welfare system must support the role of fathers.

Chairman SHAW. Ms. Tollett, I hate to interrupt. The balance of your statement will be certainly made a part of the record.

Ms. TOLLETT. Thank you very much.

[The prepared statement follows:]

**TESTIMONY OF ERICA E. TOLLETT  
NATIONAL BLACK CHILD DEVELOPMENT INSTITUTE**

Chairman Shaw, I am Erica E. Tollett, Senior Public Policy Analyst for the National Black Child Development Institute (NBCDI) located in Washington, D.C. The mission of NBCDI is to improve the quality of life of African American children, youth and families through direct services, public education programs, leadership training, and research. The Institute is 25 years old and has a network of 42 volunteer affiliates across the country.

These hearings are important because the federal government can make a positive difference in the lives of people. For example, federal anti-poverty programs initiated in the 1960s reduced the country's poverty rate from 22.2 percent in 1960 to 12.8 percent in 1968. Poverty influences family formation, causes poor health, and creates conditions for crime and violence. The best way to end poverty is with a good paying job. Good paying jobs would greatly reduce the need for welfare in America. Able-bodied men and women should work. Employment builds self-esteem which enables parents to do a better job in their role as parents.

We agree that improvements are needed in the current welfare system. As a children's organization concerned about the well-being of children and families, an improved welfare system will have important benefits for the healthy development of the more than 9 million children in families receiving Aid to Families With Dependent Children (AFDC).

We have three suggestions for improving the current welfare system.

1. Congress must lead efforts to create jobs.
2. States must require parents to participate in long-term parenting programs.
3. Early childhood education/child care programs must be expanded.

**CONGRESS MUST LEAD EFFORTS TO CREATE JOBS**

Although a reformed welfare system must emphasize work, Congress must address the need to create jobs to enable people to work, especially African Americans. We were pleased to note that for the first time since 1974 the Black unemployment rate for the month of December 1994 was in single digits, at 9.8 percent. However, the average unemployment rate for Blacks in 1994 was 11.5 percent compared to 5.3 percent for Whites.

Our work at NBCDI indicates that you do not have to "cajole, lure, or force adults off welfare and into paid employment as quickly as possible," as stated in the Personal Responsibility Act. Adults want to work. Legislative language must be written in a way that does not demean poor Americans.

Double-digit unemployment in addition to a 33 percent poverty rate have greatly diminished the health and well-being of too many African American families in this country. Families in our urban areas are experiencing the distress of unemployment and poverty that rivals floods, earthquakes, or hurricanes. The unemployment rate of Blacks should be at least cut in half.

Many jobs could be created in our cities, such as work in the health care field; work crews to repair public housing; remodeling housing; and child care. Mothers in our Spirit of Excellence Parent Empowerment (PEP) program have expressed an interest in these jobs. PEP provides life skills, parenting skills, and child development information to young low-income parents of children from birth to age three here in Washington, D.C.

Of course, as jobs are created, the need for training becomes important. In our PEP program, we have found that many of the participants would benefit from on-the-job training.

## **PARENTING PROGRAMS MAKE A DIFFERENCE IN THE LIVES OF CHILDREN**

When parents are equipped -- educated and employed -- their children grow and thrive. Parents need support, information, and opportunities to make their lives meaningful and productive. Based upon our PEP program we believe that in a reformed welfare system, States should require parents to participate in a parenting program when they apply for AFDC benefits. Programs must be long-term. A State would not accomplish very much with a program that ran for six weeks for example. Parents have been participating in the PEP program for more than a year now and they are still involved.

While PEP initially focused on the mother, many fathers, uncles and grandfathers have become involved. Fathers need support groups. Currently, PEP groups have both male and female participants.

Parents need the support they can receive from an on-going program that helps them manage their lives. Parents who are informed and prepared have less stress and better self-esteem than unequipped parents. Strategies to reinforce family life should be included in a reformed welfare system.

## **EARLY CHILDHOOD EDUCATION IS IMPORTANT TO FAMILIES**

We need more on-site child care centers in public housing and poor urban and rural settings. No matter what the income level, when parents are comfortable with their child care arrangements they are able to stay more focused on their job or school obligations. Consequently, their confidence as parents is increased as well as their productivity as workers.

High quality early childhood experiences form the foundation for the healthy development of children. Early childhood education should be considered as essential for children as public education. All working parents benefit from quality child care.

## **CONCLUSION**

Strengthening family life should be one of the most important policy goals for federal, state, and local governments. We know that the overall well-being of children is very much influenced by parental education and family income. Employment, parenting programs, and child care are basic elements to strengthening family life. Children cannot be separated from the circumstances and the needs of their parents when policies are developed for children and families.

More leadership at the federal, state and local levels is needed in order to at least cut in half the unemployment rate experienced by African Americans. Furthermore, serious efforts to reduce poverty experienced by 10.877 million African Americans, including 5.125 million Black children under 18 years of age must become a priority.

Finally, there must be special attention given to the circumstances of African American men. While it is necessary to emphasize paternity establishment and child support enforcement, it

is also important to recognize that children need empowered fathers. Children are better off physically, emotionally, socially and educationally when both of their parents are actively engaged in their lives. A reformed welfare system must support the role of fathers.

Thank you for this opportunity to offer testimony to the Subcommittee. The National Black Child Development Institute looks forward to working with members of the Subcommittee and staff on ways to help ensure that welfare reform legislation supports children and families.



Chairman SHAW. Thank you.  
Mayor Austin.

**STATEMENT OF HON. ED AUSTIN, MAYOR, JACKSONVILLE,  
FLORIDA, ON BEHALF OF THE NATIONAL LEAGUE OF CITIES  
AND FLORIDA LEAGUE OF CITIES**

Mr. AUSTIN. Mr. Chairman and Members of the Committee, my name is Ed Austin and I am mayor of the city of Jacksonville, Florida, and I am testifying today on behalf of the Florida League of Cities and the National League of Cities on the important issue of welfare reform.

Mr. Chairman, I have submitted the league's written statement for the record and, if I may, I will summarize briefly the contents of that statement.

I have been mayor of the city of Jacksonville for only 3½ years, but before that I served for over 25 years as the chief prosecutor and earlier as a public defender in northeast Florida.

Over the course of my career in the courtroom, I watched the explosion of crime and the weakening of the American family. Both juvenile and adult offenders typically came from single-parent or no-parent homes, dropped out of school, often grew up in public housing and did not receive the nurturing, care and parental love necessary for normal development in a competitive society.

Mr. Chairman, in my judgment, all of this is largely the result of the current welfare system. Are there other causes? Of course there are. But this is a cause that we can address and eliminate now.

Members of the Florida League of Cities and the National League of Cities agree that, first and foremost, the current welfare system is a failure and must be fundamentally transformed. We believe the system perpetuates the cycle of poverty and the breakdown of the American family. The direct and indirect cost to society make welfare reform an imperative for this Nation and its cities, and we applaud the efforts of this Congress and the administration to undertake this difficult task.

As your deliberations continue, we implore you to keep one thing in the forefront of your minds and that is that you include local governments at the table of debate throughout this process. We want to help. We want to be a part of building a better system. We are on the front lines of service delivery and we can do the most for our citizens directly.

If you want a system that works, send the money directly to local governments and let us run the program, because I will guarantee you this: Regardless of the amount you spend, we will produce far better results with locally run welfare programs. The key is, however, not to tie the hands and deny us the freedom of innovation and ingenuity necessary to develop local solutions to local problems.

Let me digress and say here that some State agencies are masters at the art of legally tying hands at the local level.

Beyond this issue, there are several other issues that we hope that you will address in this legislation. Unfunded mandates take many forms. The enactment of a Federal welfare program that leaves families destitute and without employment skills and sup-

portive services would continue with unfunded mandates at the local level. If enacted and implemented in a thoughtful fashion, welfare reform would include education and training necessary to compete in an increasingly challenging world. It would also include the removal of incentives that discourage work, as well as initiatives to promote personal and parental responsibility.

For low-income people and children, entitlements are by design safety net programs to provide basic necessities. Discretions of caps, block grants, and other slash funding for entitlements must take into account the safety net aspects of these programs.

The League of Cities respectfully submits that measures that would deny benefits to children whose paternity has not been established or to those born to unwed or young mothers would not be the most responsible way to reform the welfare system. Arbitrarily denying benefits to children in need would force local governments into new unfunded programs. However, if you do ban cash payments, give those funds to the local governments so that we can provide services to the people that need the services.

Separating myself from the league for just 1 minute—and the league is working very feverishly and will have a stated position on this point shortly—let me say that one of the best things in my judgment that you can do to reform the welfare system is what I just mentioned, and that would be to ban cash payments. People do not like to hear it, and I know people do not like to hear it. But we have got to stop young and unwed men and women from producing babies and stop them from purposely separating themselves from each other and their children in order to receive cash payments.

Chairman SHAW. Mayor, I am afraid I am going to have to interrupt you here. The rest of your statement will be made a part of the complete record.

Mr. AUSTIN. I would like to thank you for hearing me. I had another 30 seconds. I was winding down. I did not understand the protocol and I apologize. I thank you very much. We want to work with you in getting this job done.

Chairman SHAW. You did just fine. All of us in public office tend to go on.

Mr. AUSTIN. I can assure you that mayors take advantage of that, too.

[The prepared statement follows:]

**TESTIMONY OF HON. ED AUSTIN, MAYOR, JACKSONVILLE, FLA.  
NATIONAL LEAGUE OF CITIES AND THE FLORIDA LEAGUE OF CITIES**

Mr. Chairman and members of the Subcommittee, my name is Ed Austin and I am the Mayor of Jacksonville, Florida. I am very pleased to be before this Subcommittee today testifying on behalf of the Florida League of Cities and the National League of Cities on the very important issue of welfare reform.

I would like to begin by telling the Subcommittee something about Jacksonville, Florida. Last year, we received 42,000 requests for emergency assistance - requests for public housing, medical care and the like. However, we only had funds for one-third of those requests. That is unfortunate.

We do great work in Jacksonville, providing services to those who need them most. Our city run day care, homeless assistance and nutrition programs and our private industry council are all national models.

I believe that the best thing Congress can do to help localities like Jacksonville enhance these programs is to reduce the rules and regulations that come attached to the funds you send us. For I believe that a great deal of the money appropriated at the federal level for welfare programs is wasted on the administration - and not the execution - of these initiatives. The National League of Cities will be asking its Human Development Committee to review this concept as a policy option in the next month or so.

What we can all agree on now, Mr. Chairman, is that block grants to the states will not adequately transform our current welfare system. As is noted later on in my testimony, the local governments are on the "front lines" of service delivery and that is where the funds must be directed. State governments are no better than the federal government at allowing local autonomy. It has long been a mystery why Washington and Tallahassee collect our local tax money, attach strings to it, and then return it back to us. Such a bureaucracy stymies innovation and creative problem solving.

Therefore, as your deliberations continue, it is critical that local governments be included in the reform debate. We are anxious to maximize our ability to meet the needs of our citizens by utilizing the appropriate resources and without unfair shifts in burden from the federal and state governments.

Members of the Florida League of Cities and the National League of Cities agree that the current welfare system is a failure and must be fundamentally transformed. But while most in the administration, Congress and the states have perceived welfare reform as a federal-state issue, no level of government has nearly as critical a stake as local governments. As you will remember, Mr. Chairman, families on welfare live in cities in increasing concentration, and failures in the system - or any new system - will impose disproportionate burdens on cities.

Economic changes in cities over recent decades have worsened the

living conditions of the poor. Local officials continue to express grave concern over the growth of poverty in our nation's cities. Over the years, it appears as though the federal response to poverty in America's cities has focused less on poverty reduction and more on assisting the poor to survive in poverty through income maintenance, food stamp programs and housing programs. As you all know, these programs fall far short of reaching all those in need and tend to perpetuate the cycle of poverty in families. Among other measures, meaningful reform of the nation's welfare system is necessary to address and reduce widespread poverty in cities. We applaud efforts of Congress and the administration to undertake this difficult task.

The growing disparities between central cities and suburbs dictate a joint federal-state-local strategy to end the current welfare system as we know it. While we more than appreciate the role the federal and state governments must play in developing welfare reform legislation, local government officials, on the "front

lines" of service delivery in our nation's communities, are also crucial to the development of any successful welfare reform proposal. Local leaders, and the people who reside in their communities, will suffer most severely from the failure to enact effective reform.

True reform to improve self-sufficiency is a complex undertaking and is not simply about reducing benefits. True reform is about facilitating the transition from welfare to work and, through education and training and supportive services, ensuring that individuals are able to obtain and maintain their jobs. The need for education and training, child and health care, access to transportation and living wages is universal to all working families, regardless of income. More importantly, true reform must reconstitute the traditional family - which is the best tool to prevent crime, improve productivity and encourage independence.

The Florida League of Cities (FLC) and the National League of Cities (NLC) ask that this Subcommittee consider the following principles and policy recommendations as it begins its markup of the Personal Responsibility Act. And let me say that my office, the FLC and NLC would be very happy to work with the Subcommittee to ensure that these principles and policy recommendations are reflected in the legislation voted out of the Subcommittee and ultimately enacted by Congress.

**New Federalism:** The leaders of the nation's cities and towns recognize that it is time for a significant change in governance and in the role of the federal government. We support fundamental changes to reduce federal deficits and to realign government so that it is more effective and accountable. The FLC and NLC believe that a streamlined and more flexible intergovernmental system would offer significant opportunities for cities and towns to develop

more innovative and cost effective methods for delivering programs, services and financing infrastructure. This would also enhance public involvement and restore public confidence in government. Any such effort must go hand-in-hand with a partnership of balancing the decision-making responsibilities among local, state, and federal leaders.

Congress and the administration have pledged to streamline government, balance the federal budget, and shift responsibilities to the states, municipalities and the private sector. To be credible, this will require cuts, policy changes, and new block grants to fund remaining programs. However, the FLC and NLC would urge that any federal program reassessments ensure that the federal government does not completely desert national responsibilities, such as welfare, and therefore create inequities to individuals and disparities between local governments. Moreover, any effective federal, state and local partnership should prohibit state program responsibilities from being satisfied by the imposition of state mandates on local governments if the federal government relinquishes entire functional areas to states, for example, through the mechanism of block granting.

**Unfunded Mandates:** The enactment of a federal welfare reform program that leaves families destitute, and without employment skills and supportive services, would constitute an unfunded mandate on localities. If enacted and implemented in a thoughtful fashion, welfare reform would include education and training necessary to compete in an increasingly challenging work world, the removal of work disincentives, and initiatives to promote personal and parental responsibility. However, if it is done carelessly, welfare reform legislation could greatly increase the number of homeless, destroy families, put children at great risk, and increase crime within local communities. It would represent an abdication of responsibility at the federal and state level to local governments, but without resources to fill the void. Moreover, the shift of burdens would accelerate disparities between communities.

For example, a number of years ago, the federal government proposed the laudable goal of de-institutionalizing those individuals it felt could live a better quality of life and more cost effectively within a community, if provided social and supportive services. However, the federal and state governments failed to adequately include local leaders in the decision-making process about the level of services needed to appropriately integrate these individuals into communities. Ultimately, the inability of federal and state governments to provide the necessary level of services forced local governments - alone - to contend with the resultant homelessness, crime and overall decline in quality of life for these individuals and neighboring residents. In order to prevent this from occurring once again, local leaders must continue to be involved in the welfare reform debate.

**Entitlements:** Entitlements, especially means-tested entitlements for low income people and children, are, by design, safety net programs established to provide the most basic necessities to all those that meet basic standards of need. Entitlements, such as AFDC and food stamps, are meant to respond to economic downturns and recession and the resultant increase in unemployment and poverty. Discussions to cap, block grant or otherwise slash funding for entitlements, as provided for in the Personal Responsibility Act, fail to take into account the crucial safety net aspects of these programs, and must be closely examined before any such measures are undertaken.

For example, in a U.S. Department of Health and Human Services hypothetical example of an AFDC block grant proposal similar to the block grant option set forth in the Personal Responsibility Act, in FY 1993, the state of Florida would have lost \$315 million dollars or 61 percent of its AFDC funding. In a similar example provided by the U.S. Department of Agriculture, in FY 1996, Florida's level of food assistance under the Personal Responsibility Act would fall \$389 million dollars or 18 percent.

The impact of these losses would most definitely be felt in Jacksonville and in other local communities, where responsibility for safety net protections would shift directly from the federal government to local governments that are without resources to offer community residents the protections they deserve.

**Block Grants/Budget Reduction:** Proposals, such as those suggested by the governors, to consolidate a number of categorical and entitlement programs into block grants to the states, at substantially reduced funding levels, might reduce the federal budget deficit, but will make it more difficult for local governments like Jacksonville to achieve the purpose of welfare reform, which is to help people obtain self-sufficiency. Members of the FLC and NLC, however, welcome the opportunity to explore consolidation of certain categorical programs into highly flexible, adequately funded block grants given directly to local governments where service delivery decisions are most effectively made. To the extent proposals continue to take the direction of block grants to the states, we must make sure that such proposals include adequate protections for local governments and the people that reside in their communities. These protections could be provided in the legislation by including: adequate targeting provisions to local governments, so that we are not entirely overwhelmed by the ensuing cost shifts; provisions that require consultation and sign-off by local officials in determining amount and direction of funds; state maintenance of effort provisions to ensure that states continue their current contributions to welfare related programs; block grants which are capable of increasing from year to year; and the ability of funds to be transferred between block grants.

Moreover, to the extent that federal deficit reduction is a goal of

welfare reform, all budget elements -both means tested and non-means tested entitlement programs, tax expenditure revenues, and discretionary spending - must be on the table for any credible and equitable deficit reduction effort.

**Specific Benefit Curtailments:** Measures to deny cash benefits to children whose paternity has not been established or to those born to unwed teenage mothers or mothers in their early 20's may not be the most responsible way to reform the welfare system. An overriding purpose of welfare (AFDC) is to provide children born into poverty, through no fault of their own, with a basic level of subsistence. However, the impact of proposals to arbitrarily deny benefits to children in need unfairly disadvantages the children and represents an overt abrogation of federal and state responsibilities for residents of local communities. These mothers and their children may be forced to rely on the emergency services provided by their local governments. Local governments' services would be without the increased resources to handle the increased need. But, more essentially, the disinvestment in these children is almost certain to lead to higher levels of school drop-outs, crime, drugs, and unemployment later on - affecting federal, state and local budgets. However, if the Subcommittee determines that cash payments must be banned, we would urge that savings be given directly to local governments so that we can provide the necessary and appropriate services.

**Legal Immigrants:** Both the FLC and NLC oppose proposals to deny benefits to legal immigrants, simply because of their immigrant status, as a means of financing welfare reform. The large number of legal immigrants who are not yet eligible for citizenship, or unable to pass the test for citizenship, will not return to their native lands, but will continue to reside in local communities. Responsibility for caring for these persons will shift from the federal and state governments to the local government. Moreover, singling out legal residents for exclusion from assistance, such as public health benefits, is short-sighted and dangerous for both the citizen and immigrant populations because it is likely to increase the spread of disease within local communities. In addition, denying benefits to legal immigrants is almost certain to force many of these intending Americans into illegal activities in order to support their families.

In addition to these general principles for reform, the FLC and NLC support welfare reform measures that incorporate the following specific policy recommendations:

**Teenage Pregnancy:** A concerted effort by all levels of government is needed to combat the epidemic of teenage pregnancy and child-bearing in the United States. The emphasis of such efforts must be on the prevention of pregnancy. The high incidence of pregnancy among teens from poor families suggests a causality rooted in despair and a lack of opportunities for both

teenage men and women. Ultimately, improved prospects for career and job opportunities and disincentives to have children will motivate poor teenagers to postpone parenthood. To help combat this problem, the federal government should consider funding pilot and demonstration programs targeted to at-risk teens, particularly young women. Enhancement of summer and year round youth employment programs, linked to staying in school, would also help to provide incentives.

**Parental Responsibility/Child Support:** Increases in poverty among families headed by women are attributable, in some measure, to the lack of child support on the parts of absent fathers. Estimates are that less than half of all fathers pay child support, and only half of them pay in full. At birth, every child should have both parents' identity established. From birth until adulthood, the financial support of children should be the automatic responsibility of both parents.

Stronger policies of enforcing child support are necessary to help parents adequately care for children. In 1990, the National Commission on Children estimated that an efficient, effective child support system could yield approximately \$24 to \$29 billion per year, up to four times the amount now collected. Unpaid child support obligations significantly increase the caseload and financial costs of the full array of local and federal poverty-related programs, because individuals who otherwise would be able to maintain a level of self-sufficiency with proper child support payments are forced onto AFDC and other poverty programs.

The FLC and NLC support legislative proposals that would:

- strengthen collection methods and enforcement procedures including: federalizing collection and distribution systems; reporting to credit agencies non-custodial parents who have not paid child support; using the IRS to enforce collections; making it a crime to cross state lines to avoid paying child support; and starting a national data bank on non-payees;
- establish national guidelines for determining the amount of support orders;
- improve paternity establishment procedures;
- provide demonstration/outreach funds for training and employment services and parenting skills to chronically unemployed, non-custodial fathers of children on AFDC;
- improve gender equity in custody and visitation.

**Welfare-to-Work Initiatives:** To be successful, welfare-to-work programs must consist of a variety of options designed to: (1) meet the diverse and often complex needs of families and children; and (2) provide families and children with choices of avenues to self-sufficiency. Such options should include: basic and remedial education, with an emphasis on literacy; vocational, technical and higher education; English language training; skills



training; work experience; job search and placement assistance and entrepreneurial opportunities. Effective counseling of family members should begin with enrollment in a welfare-to-work program and continue after placement in a job.

In addition to programmatic options, welfare-to-work initiatives must provide essential supportive services to families. Day care for children, transportation to and from work, housing support, and health care for participants and children are the most essential services to be provided and must be continued for a period of time after job placement, as wages increase to a family sustaining level.

We in Jacksonville are fortunate to be home to Florida Community College (FCC) and its Urban Resource Center (URC). Programs at both the college and the URC have made a tremendous impact on our community. Their education and training and workforce integration initiatives are making a noticeable dent in Jacksonville's impoverished population. In addition, for those who need it, FCC and the URC provide day care and transportation services. These programs are tailored after our needs and conform to the economic activity present in our city. Their success speaks to the ability of localities to best serve their citizens and should underscore the need for additional access to federal dollars. Not necessarily more money - but increased freedom to get at it and use it.

**Work Should be Available:** All family heads who can work should have access to full-time work. Federal trade policies, business incentives, etc., need to be assessed in terms of their impact on the structure of the American job market. Community service jobs should only be offered as a last resort to those who, after an aggressive job search, still cannot find work in the regular economy.

**Work Should Pay:** Full-time work should provide enough earnings - and, if need be, earnings supplements, including an expanded Earned Income Tax Credit - to get all families out of poverty and to relieve more low income families of tax obligations. Moreover, to assist working poor women in particular, every effort should be made to eliminate sex segregation in jobs, as well as in vocational education and career counseling.

**Marriage Should be Rewarded:** There should never be a tax penalty or AFDC penalty for getting married or staying married. Children will be better off.

Finally, federal policies should be assessed in terms of their effects on work and family, especially poor families. Such assessments, including recommendations for revising such policies, should be done in areas as diverse as transportation, trade policies, vocational education, entitlements and mandatory

spending, and housing subsidies.

In closing, I would just like to say that both the Florida League of Cities and the National League of Cities would be happy to work with members of this Subcommittee to make the Personal Responsibility Act a bill which would help families to rise out of poverty by providing incentives and opportunities for work and, at the same time, ensure that costs are not shifted on to local communities.

Thank you, Mr. Chairman, for providing me with the opportunity to testify here today. I would be happy to answer any questions that any member of the Subcommittee might have.

THE NUMBER OF EMPLOYABLE RECIPIENTS ON SUFFOLK COUNTY'S WELFARE ROLLS DROPPED BY 24 PER CENT...A TOTAL OF 2,458 PERSONS. SUFFOLK COUNTY'S A.F.D.C. AND HOME RELIEF COSTS FOR 1994, FOR THE FIRST TIME IN RECENT MEMORY, DROPPED. OUR PUBLIC ASSISTANCE COSTS WENT DOWN BY \$5.8 MILLION DOLLARS GROSS, THE COUNTY'S SHARE OF WHICH CAME TO \$1.85 MILLION DOLLARS.

SUFFOLK COUNTY'S OVERALL A.F.D.C. AND HOME RELIEF CASELOAD DROPPED BY 9.7 PER CENT IN 1994, OR A TOTAL OF 1,737 CASES.

THE NUMBER OF CLIENTS ACTIVE IN WORKFARE ASSIGNMENTS IN 1994 ROSE 35 PER CENT ABOVE THE TOTAL REACHED IN 1993.

IN DOLLAR AMOUNTS, SUFFOLK'S A.F.D.C. AND HOME RELIEF BUDGETS IN 1994 GENERATED A \$15.1 MILLION DOLLAR OVERALL SURPLUS, \$4.9 MILLION OF WHICH WERE LOCAL DOLLARS.

THESE SAVINGS WILL BE UTILIZED BY THE COUNTY TO REDUCE PROPERTY TAXES, TO EXPAND TRANSITIONAL DAY CARE, AND FOR HEALTH BENEFITS FOR "SUFFOLK WORKS!" PARTICIPANTS.

I FEEL THAT THE STATISTICS I HAVE JUST PROVIDED YOU WITH CLEARLY INDICATE THAT OUR PROGRAM, "SUFFOLK WORKS!"...WORKS!

THERE MAY BE SOME WHO SAY THAT THE JOBS WE ARE PLACING PEOPLE IN ARE MINIMUM WAGE POSITIONS. THIS IS SIMPLY NOT SO. IN FACT THE AVERAGE WAGE EARNED BY OUR FORMER CLIENTS IS OVER \$7 DOLLARS AN HOUR.

AS IMPRESSIVE AS OUR SUCCESSES HAVE BEEN, I FEEL THAT THEY WOULD BE EVEN GREATER, WITH SOME ASSISTANCE FROM THE FEDERAL GOVERNMENT.

WE ARE PREPARING TO ASK THE FEDERAL GOVERNMENT TO GRANT WAIVERS IN TWO AREAS.

FIRST, WE WOULD LIKE TO SEE A WAIVER TO THE STATES ALLOWING THEM TO ELECTRONICALLY FINGER-IMAGE A.F.D.C. RECIPIENTS.

WE ARE ALREADY FOLLOWING THIS PROCEDURE WITH HOME RELIEF RECIPIENTS...THE NATURAL NEXT STEP WOULD BE TO EXTEND THE PROGRAM TO A.F.D.C. CASES.

SECONDLY, WE WOULD LIKE TO SEE WAIVERS GRANTED THAT WOULD LET STATES ESTABLISH RESIDENCY REQUIREMENTS BEFORE A PERSON COULD APPLY FOR PUBLIC ASSISTANCE BENEFITS. AT PRESENT, ALL A PERSON HAS TO DO IS CROSS OVER THE STATE LINE INTO NEW YORK, GO THE NEAREST SOCIAL SERVICES OFFICE, AND SIGN UP FOR BENEFITS.

A RESIDENCY REQUIREMENT WOULD CERTAINLY CUT DOWN ON SUCH INCIDENTS.

LET ME SAY THAT IN SUFFOLK COUNTY WE HAVE MADE TREMENDOUS STRIDES IN THE AREA OF WELFARE REFORM. IN FACT, I THINK WE COULD SERVE AS A MODEL FOR OTHER AREAS OF THE COUNTRY.

GOVERNMENT MUST PROVIDE FOR THOSE WHO CANNOT PROVIDE FOR THEMSELVES. THERE MUST ALWAYS BE A SAFETY NET.

BUT BEYOND THAT, I BELIEVE IT IS ALSO GOVERNMENTS' RESPONSIBILITY TO ASSIST THE PEOPLE IN LEADING PRODUCTIVE, FULFILLING LIVES.

MR. CHAIRMAN...MEMBERS OF THE COMMITTEE...THAT IS WHAT WE ARE DOING IN SUFFOLK COUNTY.

ONCE AGAIN, THANK YOU FOR GIVING ME THE OPPORTUNITY TO ADDRESS YOU THIS MORNING.

Chairman SHAW. Thank you.  
Mr. Fersh.

**STATEMENT OF ROBERT J. FERSH, PRESIDENT, FOOD  
RESEARCH AND ACTION CENTER**

Mr. FERSH. Thank you very much, Mr. Chairman. We appreciate very much the opportunity to testify this morning. I will speak primarily to the issue of the food assistance block grant proposals that are before the Committee.

I want to say at the outset that we work with all elements of the national community that work on food assistance programs, whether it is school administrators or health professionals in WIC or the business community, and we come today in a spirit of cooperation to help you make the wise decisions you need to make over the next few months. We want to work with you toward the goal that I know all of you share with us that no American go hungry.

Let me start by saying that 2 weeks ago I spent a few days in Kansas. It was a remarkable visit. I had dinner with eight State legislators, six Republican and two Democrat, the current Speaker of the House, the former Speaker of the House, and we had a remarkable dialog about the issues of food assistance in this country.

The next morning, I had the honor of meeting with the new Governor, Governor Bill Graves of Kansas, and we again dialoged on these issues. I accompanied local people who run food banks and soup kitchens and other services out in Kansas.

I want to simply say at the outset that my view of what was being said then was, at best, people were uncertain about whether they would be interested in these block grants. I think it would be more accurate to say that when it comes to the food assistance programs, there was deep concern about whether this was the way we ought to go.

Let me also say that while I was in Kansas I had a couple other remarkable experiences. I was there to help release a study of childhood hunger. The morning we held this press conference, it was at an elementary school, and the assistant principal made an impromptu appearance at the press conference. What she told us about was something that had happened in her office minutes earlier. A child had come in totally unsettled and crying. The assistant principal calmed her down and reached for a snack that she keeps in her office for just those occasions. In a few minutes, that child was settled down ready to go back to school and ready to learn.

What Trish Peters told us that day was that this underscored the incredible importance of the school breakfast program to make sure that children do come to school ready to learn. What she also said was that this was not an infrequent occurrence there. What people across the country tell us, school nurses, teachers and principals, is that this is a common occurrence.

I would like to present this as an example for you to keep in mind of the importance of supporting programs like this, because they are empowerment tools that down the road help lead to the children learning better and making the job of ending dependency in this country far easier.

Let me also say that while I was in Kansas, I met Shelly Turner, a mother of three, including one disabled child. She drives a school-

bus, but her salary alone does not allow her to make ends meet. She receives food stamps which, even if she limits the purchase of food toward the end of the month, often does not allow her to make ends meet. She often has to sell plasma in order to make ends meet and feed her family.

I raise that as an example, because I have a deep concern that if we move away from making sure that, if people are willing to play by the rules, that is, meet the requirements we place on them, we ought to insure that they can get benefits in this country. And it is the Shelly Turners of the world, who are the working poor, who I suspect will be the ones who could be most hard hit if there is not enough money to go around.

Let me now just make a few fundamental points. I appreciate your including my entire testimony in the record.

The first point is that the food assistance programs in this country work. They work individually and they work as a system. They are an example of federalism at its best. They certainly can be improved, and my testimony presents several important specific proposals to consolidate and streamline programs, deal with some of the fraud issues in the Food Stamp Program, and so on. But the basic structure of programs work and they have had a remarkable positive impact on the nutritional status of Americans.

The third key point is that these programs are empowerment tools. If you keep them in place, they will make easier work of achieving welfare reform objectives like reducing poverty. They are keys to success in education, crime prevention and maintaining adequate health care.

Since I see my time is dwindling, I want to make a point that you may be surprised to hear from me, but I think it is important for you to hear. The block grant in my view will be inherently unresponsive to need. But I have heard important points in the business community about concerns they have.

For instance, I have talked to food manufacturers who said they do not want to deal with 50 different State requirements for nutrition standards in the School Lunch Program or the portion sizes. They would like to be allowed to have one system to deal with. I have talked to food retailers who do not want 50 different Food Stamp Programs to run, for fear that the program benefits are cashed out and will undermine the health of inner-city stores and potentially undermine the health of inner-city communities.

Let me conclude by saying that we share concerns about reforming the current welfare system, but we urge you to separate the food assistance programs from welfare reform, and they should be maintained as part of any welfare reform that you enact.

Thank you.

[The prepared statement and attachments follow:]

F·R·A·C

FOOD RESEARCH  
& ACTION CENTER

**Testimony of Robert J. Fersh, President  
Food Research and Action Center, before the  
House Ways and Means Committee  
Subcommittee on Human Resources  
February 2, 1995**

**I. Introduction**

Thank you, Mr. Chairman and Members of the Committee, for the opportunity to testify today. As President of FRAC, I speak on behalf of a national, non-profit, non-partisan organization dedicated to alleviating domestic hunger. We serve as the coordinating agent for hundreds of national, state, and local organizations involved in the Campaign to End Childhood Hunger. My testimony will focus on food assistance issues before the committee.

At FRAC, we regularly are in touch with a broad range of individuals and groups concerned with the nutritional status of Americans. Our testimony today will reflect input from governors, state legislators, the business community, nutritionists, educators, health providers, state and local program administrators, program beneficiaries, and many others. Our hope is to provide important information and insight for the crucial deliberations your committee faces in the coming weeks.

We appreciate the enormity of the task you face. As you weigh what could be a dramatic change in approach to nutrition programs, a change that could shrink and potentially destabilize these programs, an appropriate place to begin is with an evaluation of their effectiveness.

I would like to begin by sharing with you some recent experiences I have had while travelling around the country. Two weeks ago, I was in Wichita, Kansas, for the release of a statewide study of childhood hunger sponsored by the local food bank and an interfaith organization. The event was held at Colvin Elementary School and the assistant principal, Trish Peters, was an impromptu participant in the proceedings.

Ms. Peters described an incident that had occurred just minutes before. A child was in her office, crying and wholly unsettled. Ms. Peters calmed her and then reached for some food she keeps in her office for just these occasions. Within minutes the child recovered and rejoined her classmates, ready to learn.

Ms. Peters went on to say how important the school breakfast and lunch programs are to the success of her school. Colvin Elementary serves primarily low-income children, and for some reason, the child in her office that morning had missed breakfast. Ms. Peters made clear that, in the absence of the breakfast program, this problem would be multiplied many times over on a daily basis. This incident in Wichita is not an isolated event. We are told by teachers, principals and school nurses that this is a daily occurrence across the country.

While in Wichita I also met Shelly Turner, a mother of three, including one disabled child. Shelly drives a school bus but her salary alone does not allow her to make ends meet. Shelly receives food stamps which, even with limited purchases of hot dogs, macaroni and cheese and cereal, often do not last to the end of the month. Some months, Shelly has had to sell plasma in order to make ends meet.

I present these stories because they put a human face on the programs I am about to discuss. It is important to understand that the "working poor" like Shelly Turner could be among those put in most jeopardy by proposals now under consideration to replace food assistance programs with block grants.

## II. The Food Stamp Program

The Food Stamp Program provides a vital safety net for millions of poor families like Shelly Turner's. The Program is well-targeted to those most in need. Over 50% of food stamp recipients are children; over 80% of the benefits go to families with children. Two million poor elderly persons also receive food stamps. About 97 percent of all benefits go to families with incomes below the poverty line; 56% of the benefits go to families below *half* the poverty line. The average length of participation in the food stamp program is less than two years. Half of all new recipients stay on the program no more than six months, and two-thirds end participation within a year.

The Food Stamp Program ensures a basic adequate diet for families who find themselves in difficult circumstances. Consider the story of a family interviewed for our childhood hunger study in Texas. Michael was laid off from his job at a newspaper and has since gone through his savings and even sold some possessions in order to provide for himself, his wife and their three children. Michael now receives food stamps to help him provide adequate food for his kids. Without food stamps, Michael says, the family could be out on the street.

Thousands of families across the country have told us similar stories -- stories of how food stamps make the difference between having enough food and being hungry.

The Food Stamp Program works for these families because it is able to respond at times when the need is the greatest. During a recession, food stamp participation increases; when the economy improves, food stamp participation drops. For example, between June 1990 and June 1992, as the national unemployment rate increased from 5.1% to 7.7%, food stamp participation increased by more than 5 million. Now, as the economy strengthens, participation is steadily decreasing.

The Food Stamp Program also acts as an equalizer -- assuring that families receive adequate food no matter what state they live in. There are currently enormous disparities in AFDC benefits from state to state that cannot be explained by differences in the cost of living. Since food stamp benefits vary with income, they are low in states with high AFDC payments, while in states with low AFDC payments, the Food Stamp Program's federal dollars make up the difference.

Food stamps have been shown to improve the nutritional status of participants. Studies show that low-income households increase the nutrient value of the food in their house by 20%-40% when they receive food stamps. Studies also show that food stamp recipients buy fewer snacks and sweets than the general non-food-stamp population.

Finally, the Food Stamp Program brings federal dollars into poor communities. Without the business that food stamp recipients bring, many inner-city stores would not survive. Many food manufacturers across the country also rely on the billions of dollars food stamp households spend on food.

## III. Other Nutrition Programs

Like the Food Stamp Program, other nutrition programs, such as the school meals programs, the Child and Adult Care Food Program and the elderly feeding programs play a vital role in protecting the health and well-being of our most vulnerable citizens.

Consider this story we recently heard from a day care center in New Brunswick, New Jersey, that participates in the Child and Adult Care Food Program: Four-year old Tabitha arrived at the day care center on her first morning there after a one-week Christmas break. The moment she walked into the center, her first words to the director, Mr. Harris, were, "When can I get my hot lunch?" This is an indication of how important CACFP-funded meals are to preschool children.

Similar testimony can and has been provided by people involved in the WIC program; people who feed children in family day care homes, and after-school settings; and people who care



for the elderly. They tell us: children who begin their day with a balanced meal and receive a nutritious lunch are more successful in school; mothers who enjoy a proper diet during pregnancy give birth to healthier babies; and elderly people are less frail, less isolated and are more likely to remain independent and stay out of institutional care facilities longer when they can eat a nutritious meal each day in a social setting.

Like the Food Stamp Program, each of these programs makes an enormous contribution and has achieved documented success:

- The WIC Program serves about 7 million Americans a month, including five million infants and children and 2 million pregnant or post-partum women. WIC reduces the fetal death rate by 20 to 33 percent, infant deaths, low birth weight, premature births and other maladies. WIC is associated with increased use of prenatal and pediatric health care, increased immunization rates, and potentially increased cognitive development. Various studies suggest that for each dollar spent on pregnant women in WIC, \$3 to \$4 in health care and other costs are averted.
- The National School Lunch Program serves about 26 million school children a day, including over 13 million from low-income households. Studies show that school lunch provides these children with one-third to one-half of their daily nutrient intake.
- The School Breakfast Program serves about 6 million children a day, of whom 87 percent come from low-income homes. Studies show that school breakfast is associated with higher performance in standardized test scores, and reduced tardiness and absenteeism. Teachers report far greater attentiveness in school.
- The Child and Adult Care Food Program (CACFP) serves about 2 million children a day, approximately half of whom come from low-income families. The 1994 Carnegie report, *Starting Points: Meeting the Needs of Our Youngest Children*, documents that the functioning from preschool through adulthood: "...hinges, to a significant extent, on their experiences *before* the age of 3." USDA studies have shown that CACFP improves the nutritional value of meals eaten by preschoolers in child care settings.
- The Summer Food Program provides meals to about 2 million children a day during the summer months. Virtually all participants are low income. Summer Food provides one-third of children's Recommended Daily Allowances for key nutrients.
- Elderly feeding programs serve 2.5 million people in congregate meal programs in senior centers, churches, and community locations. They also reach 820,000 frail elders with home-delivered meals. About half of the beneficiaries of these programs are low income. Research on these programs demonstrates that participating improves the nutritional intakes of older people.
- TEFAP provides commodities millions of people, including those not served by the Food Stamp program and many Food Stamp recipients who run out of food before the end of the month. TEFAP commodities account for 12.9 percent of the food distributed through the Second Harvest Network of food banks. Children and the elderly make up a significant portion of emergency food clients.

#### IV. Overall Effects of Nutrition Programs on Health and Nutrition

There is a wealth of statistical and analytical information that supports what people on the front lines tell us about the effectiveness of these programs. The bottom line is that the individual food programs work and they work together as a system.

Thirty years ago, strong evidence of widespread hunger and undernutrition emerged in this country. The federal government already had established the National School Lunch Program as a matter of national security in 1946. Now it stepped in again, supported by both Republican and Democratic administrations and bipartisan coalitions in Congress, to address this problem in partnership with state and local governments and community-based organizations.

Overall, the effect has been:

- a significant decrease in growth stunting (low height for age — a key measure of chronic undernutrition);
- a reduction in the prevalence of anemia;
- and an improvement in dietary intake.

While problems of hunger and undernutrition remain, the federal programs have made an enormous difference. These programs represent federalism working at its best. They are voluntary programs that state and local governments, education districts and community organizations are choosing to utilize in increasing numbers all the time. Over ninety percent of our nation's schools offer the school lunch program because local school boards, administrators, and communities recognize its effectiveness. Programs like school lunch have appropriate national standards that allow flexible local implementation.

These programs create no "unfunded mandate". To the contrary, the federal food dollars often serve as "seed money" which leverages additional contributions of state, local and private money and volunteer time to deliver a range of integrated services for children, the elderly and others.

Hunger is a problem that must be solved at both the national and community level. The federal government has provided a means for local citizens to forge appropriate solutions. If these programs are to be substantially reformed, we must take care not to create an "unfunded liability" in local communities across the country. Contrary to popular misconceptions, state and local governments and private charities indicate emphatically that they are in no position to pick up the slack should the federal commitment of resources and leadership be diminished.

#### V. Food Programs as Empowerment Tools

It is important to understand that these food programs are part of a larger whole—they are integral to strategies to improve the long-term prospects for children's lives that go far beyond their nutritional status. The WIC program itself embodies this, with the integration of prenatal and pediatric care, nutrition counseling, and nutrition assistance. The Child and Adult Care Food Program also is associated with improved quality of child care. The 1994 Carnegie Study of Children in Family Child Care and Relative Care reported that 87 percent of the family child care homes considered to be providing good quality child care participated in the CACFP.

There are many other examples:

- Carla Sanger directs an after school program known as LA's BEST. This program serves about 4,500 inner city elementary school children daily, 245 days a year. The program operates 2:30-6:00 pm in twenty schools, during which time the children do school work, play sports, learn to use computers and engage in artistic and cultural activities. Independent evaluations document that LA's BEST improves scholastic performance, fosters positive behavior changes, decreases crime and improves the children's sense of safety in their environment. As Ms. Sanger says, "We are winning the war with the gangs for these kids' attention."

What Ms. Sanger also would tell you is that the meal supplement provided by the Child and Adult Care Food Program to children when they arrive is critical to her success. It draws children into the program, provides them with the extra nutrition they need, and allows them to focus on the after school enrichment activities. On January 17, 1995, she wrote to Senator Richard Lugar:

"There is no question that without federal reimbursement for food, this important component of the after school programs will be diminished or eliminated, and likely impact the daily attendance of children who so desperately need and benefit from after school programs."

Without the assurance of federal funding for a snack, it will be very difficult for Ms. Sanger

to reach her goal of expanding to fifty schools and serving 10,000 children a day.

- In Hoquiam, Washington, the Parks and Recreation Board works with the school district, police and fire associations, and a variety of civic clubs to provide a summer recreation program to over 200 children a day. The community has pieced together crime prevention funds, AmeriCorps participants, private money and the USDA Summer Food Program to make the program work. Kristi Earley, Program Director, says the meal served is the foundation for the program and helps draw the high daily attendance. A local police sergeant says the program stops children from having to steal to eat. The summer program has been so successful in organizing activities for low-income youth that it has led to a year-round after school program.
- In Pittston, Pennsylvania, the school system effectively combined a reading program with school breakfast. Known as the PAC Program (for Pittston Area Capable), children from grade four and up volunteer to read to younger children after they finish their school breakfast. The younger children are engaged in a learning activity that maintains their interest and requires little supervision. An interesting side effect of the program has been to make participation in the School Breakfast Program more popular and resolved many school officials' initial concerns about securing supervision for both participants and non-participants in the School Breakfast Program.

Much to the surprise of both teachers and administrators, all of their older students relish the opportunity the program offers to demonstrate leadership and support as role models for younger students. This attitude has prevailed among students previously thought to have behavior problems, as well as those with reading difficulties.

Conversion of current food programs to block grants could not only threaten the continuation of the highly successful programs described above, but almost surely will impede expansion of these efforts. This would be most unfortunate, because these are the very approaches that will lead to more productive, and less dependent, members of our society down the road.

#### VI. Program Improvements

We do not contend that nutrition programs are perfect. We at FRAC have long advocated changes to improve their effectiveness and would be pleased to work with you to refine these. Here are examples of reforms we would support:

- In the Food Stamp Program, we support changes to speed up the implementation of Electronic Benefits Transfer (EBT) systems. EBT can help track and prevent fraud and also can make food stamps more efficient. We also support coordination of key definitions of income and assets with the AFDC program, simplification of the application process for certain households, and coordination of the employment and training program with AFDC and other employment and training programs.
- We support thoughtful efforts to consolidate nutrition programs operated out of schools. There is no need for multiple application forms, eligibility requirements, and reimbursement rates if a school is operating several programs to feed essentially the same children at different times of the day or year. There can be much greater coordination between the School Lunch and Breakfast Programs, and that same information and bookkeeping process could be utilized if a school serves a snack to children after school hours through the Child and Adult Care Food Program. Similarly, although there are some trickier issues here, we believe a streamlining of paperwork could occur if a school chooses to provide meals through the Summer Feeding Program when school is out.
- While there must be adequate federal accountability over child nutrition funds, we believe the degree of auditing that occurs in the schools and other institutions must be eased. The level of detail and oversight reflects very little trust in state and local governments. We believe that some acceptable standards can be set without the kind of detailed oversight that has been built up and retained under the aegis of both Republican and Democratic administrations in recent years.

- In addition to schools, we believe that there should be a consolidation of nutrition programs offered by various non-profit institutions and a simplification of paperwork for them. Some institutions, such as churches, Boys Clubs or Girls Clubs, YMCA's or YWCA's, may be utilizing the Child and Adult Care Food Program and the Summer Food Program to feed different students at different points in the year. We believe they would welcome a consolidation of paperwork and the coordination of reimbursements.

I am confident there are other ideas that can be put forward to ease the administration of the programs that are not listed here. Needless to say, the cumulative effect of all these changes would not only ease administration for state and local officials, but would be of benefit to the ultimate recipients. If low income families do not have to fill out multiple applications, it should ease children's participation in a variety of programs.

## VII. Concerns with a Block Grant Approach

As Congress reexamines many national programs and the appropriate roles for different levels of government, we urge you to keep in mind two fundamental considerations for your decision-making process:

- Will all individuals currently eligible and in need of assistance receive the same level of service?
- What assurances are there that new approaches will work as well or better than the current system in meeting the objectives of the nutrition programs?

If these questions cannot be answered satisfactorily, we urge you to resist making changes that may, at best, lead to uncertainty and at worst, to a major step backward in this country's commitment to the health and nutritional status of all its members.

While the details of various proposals vary, we view with alarm the concept of repealing all current food assistance programs and replacing them with block grant funding. Here are our concerns:

### 1) Predictability and Responsiveness of Funding

The current funding mechanisms for most nutrition programs allow state and local program administrators to know well in advance how much funding they will receive per individual who qualifies for services. Under a block grant, the level of federal funding, as well as the allocation within a state, may be uncertain. This can create havoc with the need of local administrators to plan.

Even if predictable funding could be provided, a block grant approach is likely to be far less equitable and responsive than the current system. Each year, there are demographic changes within states due to unemployment levels, population growth, aging and other factors. It is very difficult to devise a formula that takes these into account adequately. Over time inequities among states will grow.

Block grants do not respond well to changes within a state or local community within a funding year. If a state experiences a major recession, it will find it difficult to respond to increased demand for school lunch and food stamp assistance—especially at the very time its own state revenues are down. The result may well be waiting lists for assistance or across the board cutbacks in benefits or in the quality of meals served.

We also are skeptical of how sensitively and timely help from a "rainy day" fund might be provided under various block grant proposals now under consideration.

### 2) Response to Unmet Need

By freezing or cutting funding levels, block grants remove from state and local governments the choice they now have to expand certain nutrition services. For example, from 1989 to 1994, Kansas increased its participation in School Breakfast from 9,000 to over 60,000 children

a day. Such a choice would be impossible under a block grant approach, unless the state could find its own resources or cut other programs.

### 3) Administrative Savings

We are aware of the argument that block grants will create such large administrative savings through the consolidation of programs that beneficiaries will not be hurt. We urge close examination of this issue because we believe there are limited savings to be realized.

First, administrative costs are a relatively small proportion of all food program costs. Even if a significant portion of administrative savings could be achieved, little money would be freed up for benefits. If programs are turned back to the states, they still will have to maintain adequate screening and accountability systems.

Furthermore, unless we envision ending meal service in schools, health and nutrition benefits through a WIC-type program, hot meals for the elderly, and a general program of assistance like food stamps, states will still have to operate multiple programs through various agencies. The result will be relatively little savings in administration for them.

### 4) Interstate Issues

Many new problems would be created by 50 separate food assistance approaches in the states. Right now food manufacturers can produce school and child care meals under a uniform national standard for portion sizes and nutritional content. If states can each set their own standards, this efficiency would be lost. Also, states would find it much harder to coordinate among themselves to standardize approaches to work with the food industry.

People who live right on the border of a state could not be assured of the ability to use food stamps or WIC vouchers across state lines. Food retail stores which operate across states might have to set up different and costly systems in each state to deal with food stamps and WIC, particularly if states develop 50 different electronic benefits transfer systems. (A copy of the Food Marketing Institute statement calling for national uniformity on this issue is attached to this testimony.)

### 5) Nutritional Standards

One of the keys to the success of child nutrition programs has been the establishment of nutritional standards to ensure that these programs meet their objectives. In the absence of nutritional standards, it is very difficult to gauge whether these programs are achieving their intended results. While there has been much debate about how detailed these standards should be and how they should be enforced, there is widespread agreement among program administrators, health and nutrition experts, and the food industry, that there should be national standards to help ensure adequate nutrition and effective administration in these programs.

If we move to a block grant approach, and there are no national nutrition standards, it will be very difficult for taxpayers to ensure that their dollars are being spent appropriately. How would we know how well state programs are serving their intended purposes? The absence of national standards also means that every state would have to develop its own standards for nutrition. This would seem to involve unnecessary duplication and overlap among the various states.

Under a block grant, there may be no guarantee that funds would be spent on food. If states are free to cash out the Food Stamp Program, benefits could be spent on non-food items. Studies have shown as much as a 20% decrease in food purchases when food stamp benefits are cashed out. Thus, a block grant could seriously weaken the Food Stamp Program as a nutritional program. Significant decreases in food purchases could also have ramifications for food and retailer industries.

## 6) Adequacy of Funding

Related to the point above, we believe that conversion to a block grant for food assistance will inevitably lead to a loss of support for this important function. When there are fifty different state programs, especially if national nutrition standards are not present, it will be very difficult to evaluate the success of the various programs and to set appropriate funding levels. Even if some states are hugely successful and document the need for more assistance, such help may not be forthcoming if other states' performance is less stellar.

While we understand that some people believe the federal government should not be in the nutrition assistance business at all, and may find comfort in this argument, we suggest that this should be a clear and up front decision. If one believes in a continuing and responsive national role in nutrition assistance, conversion to a block grant is likely to make this far more difficult to achieve.

## VII. Conclusion

Thank you very much for the opportunity to testify today. This committee has enormous responsibilities at a time of great change. It will require great wisdom to determine in what areas there needs to be fundamental change and what areas there does not. In the area of nutrition, we urge you to refrain from dismantling what has been a highly effective and highly appropriate response from the federal government to the needs of vulnerable citizens.

As you deliberate, we urge you to keep in mind a warning sounded last year by Professor Ernesto Pollitt, a leading researcher in the nutrition field. He said, "We have now learned that even moderate undernutrition, the type most frequently seen in the United States, can have lasting effects on the cognitive development of children." (The Link Between Nutrition and Cognitive Development in Children, Tufts University Center of Hunger, Poverty and Nutrition Policy, 1994)

In FRAC's own groundbreaking study of childhood hunger, the Community Childhood Hunger Identification Project, we found that in comparison to non-hungry children, hungry children were:

- more than three times as likely to suffer from unwanted weight loss
- more than four times as likely to suffer from fatigue
- almost three times as likely to suffer from irritability
- more than 12 times as likely to report dizziness
- more than twice as likely to have frequent headaches
- almost twice as likely to have frequent ear infections
- almost three times as likely to suffer from concentration problems; and
- almost twice as likely to have frequent colds.

With these consequences in mind, we should err on the side of ensuring that our children and other vulnerable citizens have enough to eat. As you continue to explore these issues, we believe you will find a groundswell of support to maintain current programs.

We urge you not to rush any of your decisions. The results could well be chaos for state and local government and for vulnerable Americans. We stand ready to assist you in any way possible in your further deliberations.

**FMI POLICY STATEMENT  
ON FOOD ASSISTANCE REFORM  
January 1995**

The Food Marketing Institute has long supported Food Stamps and WIC as effective, efficient ways of reducing hunger and improving the nutrition of our nation's poor. Both these programs serve as ultimate safety nets for those who cannot afford adequate diets. In 1994, some 27 million Americans depended on food stamps as income supplements at a total cost to the federal government of \$24.5 billion. Over one-half of the beneficiaries were children. In addition, approximately 6.5 million Americans participated in the WIC program for this same year at a cost to the federal government of just over \$3 billion.

FMI supports reforms that would improve the efficiency of food assistance programs while at the same time reducing any fraud and abuse that may exist. It is appropriate to scrutinize every government program to increase efficiency and effectiveness wherever possible. In fact, the grocery industry already has been a major participant in the effort to convert food stamps to an electronic benefits transfer environment with exactly these goals in mind.

If food assistance programs are moved to the states in block grants, with each state given authority to set its own standards for eligibility, the basic principles set forth below would lead to reforms that increase control, reduce fraud and abuse, enhance the dignity of the programs, and reduce both public and private administrative costs. If food assistance programs continue to be administered at the federal level, these same principles should also apply.

1. Because access to food is the ultimate safety net for needy Americans, these programs should not be simply cashed out. Research has demonstrated that removing the link between program benefits and the actual purchase of food results in the deterioration of nutritional diets, especially for our children. This increases long term health care costs dramatically and often arrests the normal growth and development of children.
2. FMI strongly supports a coordinated effort to reduce fraud and abuse, and to improve efficiency by reinventing benefit delivery systems. We encourage acceleration of the timetable for completion of the government's electronic benefits transfer proposals to speed final evaluation of this promising system as an alternative.
3. As delivery mechanisms are redesigned, national uniformity must be the goal allowing recipients to retain the freedom to shop at stores of their choice and recognizing the regulatory burden that multiple systems impose on grocers operating across jurisdictional lines. It is important to recognize also that uniformity is necessary for development of improved systems to address fraud and abuse.
4. Since access to wholesome and nutritious food in the local community is the goal of food assistance programs, overly restrictive licensing requirements for participation, particularly for the WIC program, should be eliminated. This would reduce both government and private administrative costs and improve food access for recipients.

Adopted by the FMI Board of Directors  
January 14, 1995

F·R·A·C

FOOD RESEARCH  
& ACTION CENTER

## FOOD RESEARCH AND ACTION CENTER

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Chairman SHAW. Thank you.

Parenthetically, the question of what happens to the various food programs is before two other committees, but your message is well received.

Mr. Ferish. Thank you.

Chairman SHAW. Ms. Darling.

# **STATEMENT OF SHARON DARLING, PRESIDENT, NATIONAL CENTER FOR FAMILY LITERACY**

Ms. DARLING. Thank you, Mr. Chairman. It is a privilege for me to be here today to share with you information that I think will be important in reforming the welfare system.

I am coming to you today with a history of 25 years in service to adult education, those adults who are out there struggling to gain a toehold in the economic mainstream, those who do not read well, those who do not have English skills, those who are the ones that we are focusing our attention on in the reform of our welfare system.

I have been both a teacher of adult education, a State planner, a local program operator, and now running the National Center for Family Literacy. So I am coming to you today to talk about what I think is an exciting plan for welfare reform that we probably need to pay attention to, because it is working throughout the Nation, a plan that really looks at family not bailing the bucket, but turning off the spigot, if you will, for welfare reform, because it looks at two generations at the same time.

It is a plan that looks at the centrality of the family and putting the pieces back together and strengthening the family, and the central role of education is a combination to really look at systemic change in welfare reform.

That plan involves something we call family literacy that, in its very simplest definition, brings together parents who do not have literacy skills with their young children for learning in combination. They come together. The parent gets up in the morning and takes the hand of their 3- or 4-year-old child, brings the infant along and comes to a school where learning takes place for both. The parent has good basic skills, adult education, job training, job exploration, getting ready to go into employment, while the child is right next door getting good early childhood education to overcome the deficit that we know they will face when they reach our public schools.

Then the parents and the children come together and start to learn a new way to interact with one another, a way to build self-esteem together, a way for parents for the first time, many of them who have not had this model for them in their own home, can start to interact with their children. And then the parents have something we call parenting education, where they not only learn how to be better parents and how to influence the future life of their child, they also learn some skills that will help them cope, some problem solving skills, some ways to work through the maze of problems they face every day as they wake up, being welfare dependent and stuck sometimes in situations beyond our comprehension.

It is a simple approach to a very basic and fundamental problem that we face, as we look at welfare reform. It is an approach that is working, and it is working all throughout the United States. It is an approach that does not try to create new pieces, and you may know it as Even Start as a Federal program. You may know it as a component of Head Start of adult education or job training or JTPA. But it is the first time the pieces have been put together for the family to really look at systemic change in breaking the cycle and starting the spiral upward, instead of downward for those families.

We have evidence that it is working extremely well. As a matter of fact, it is working better than most of what we have tried. We know that parents who come to this program succeed, that they continue on 3 years later. We just had a follow-up study out of one of the Atlanta programs and we found that parents in those programs, 79 percent of them are now either in jobs or in vocational training or have substantially changed their lives in other ways.

We know that things change for children, that children not only learn faster than in other preschool programs when their parents attend with them, but they also achieve long-term results at a much more rapid rate.

We know that if we focus on the family as the unit of intervention and we bring the parents and the children together, that we are sending a message to parents that they cannot continue to just have children and send them to the system to be fixed, that in fact what we need to do is help them become the parents that they want to become. They care deeply about their children. They need the schools and the knowledge to help prepare their children for life, to help prepare themselves for self-sufficiency. We simply must put tools in their toolbox so they can do what all of us want to do as parents of our children.

I think I would like to make two recommendations to you for welfare reform. One of those is that we really must quit focusing on entitlements and time limits and start focusing on the family, an assessment of the needs of the individual family and looking at that and how it translates to the plan for self-sufficiency. There are some families that are on welfare who do not need to be on there 1 more minute. Others should be on there longer than 3 years, if they really are going to have a self-sufficient future.

The second point I would like to make is that I think we should focus all efforts on the family, that legislation fragmenting the family should not be allowed, that every piece of legislation or policy that comes before this Committee should be examined in terms of its influence on the family, and that the Family Literacy Program should be a requirement for parents who do not have basic literacy skills and their children, so that we are looking at a team in sending that continual message that the parent is the important teacher of the children in order to achieve self-sufficiency for this generation and the next. We simply must focus on the family as a unit.

Thank you.

[The prepared statement and attachments follow:]

Testimony  
House Ways and Means Committee  
February 2, 1995

Submitted by:  
Sharon Darling, President  
National Center for Family Literacy  
Waterfront Plaza, Suite 200  
325 West Main Street  
Louisville, KY 40202-4251  
502/584-1133

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Introduction

Family literacy should be the heart of welfare reform. It preserves and strengthens the family unit, it creates self-sufficient families, it expands work and training opportunities, and it provides a model for the nation for a coordinated system of funding and services that maximizes scarce dollars. The goal of family literacy is to use education and training as a way to strengthen the family and ensure self-sufficiency. Family literacy provides a family focused program to improve the skills and educational level of parents, the developmental skills of their young children, and the parenting and life skills of adults. An effective welfare system with both long-term and short-term impact must include a strong family literacy component.

Welfare dependency and low educational achievement are directly related.

- By the year 2000, people with less than a high school education will be able to fill only 14% of all jobs.
- Ninety percent of welfare recipients are high school dropouts.
- The typical AFDC (Aid to Families with Dependent Children) recipient between 17 and 21 has reading skills below the sixth grade level.

Meeting the needs of parents in poverty will do a great deal to improve the quality of life of their young children, but it will not necessarily meet their developmental needs. A quality pre-school program for the children who are clients of the welfare system will result in:

- less need for special education and remedial education programs,
- an improvement in their attendance in school and a lower grade retention rate in school,
- an improvement in their participation in education and training beyond high school,
- a lower participation rate in the juvenile justice system,
- an improvement in their income level as adults and their chances of being homeowners as adults.

Solving the problems of parents in poverty is the best way to solve the problems of children in poverty and prevent dependency in the future. The family must be considered as the target of intervention.

- Two-thirds of AFDC recipients are children. In 1992, AFDC provided benefits to 9.2 million children.
- Children's literacy levels are strongly linked to the educational levels of their parents—especially their mothers.
- The more educated the parent and the more economically stable the home, the more learning opportunities are provided for children.
- If a child never misses a day of school from first grade to twelfth grade, he or she would have spent only 9% of his or her life in the classroom. Ninety-one percent is spent in the home or out in the community.
- Children who live in homes with adults who are unemployed and have themselves not completed high school are five to six times more likely to be dropouts.

There is a direct relationship between the educational achievement of young people and the problems of teenage pregnancy.

- Each year, 200,000 people aged 17 and under have children. 80% of the children born to teenage parents who dropped out of school live in poverty.
- About 50% of unwed teen mothers receive welfare within one year of the birth of their first child and 77% within five years.

- Poor 16- to 19-year-old girls with below-average basic skills, whether white, black or Hispanic, are six times more likely to have children than those with above-average basic skills residing in non-poor households.
- Forty percent of female welfare recipients give birth to their first child before the age of 19.

Family literacy promises to ensure a hopeful future for parents and their children, realizing we must produce systemic change. The message should be that parents have the responsibility to rear their children and will be helped through family literacy programs to acquire the skills they need to provide for their children. We cannot afford to lose the current generation that is struggling to sustain a toehold in the economic mainstream. This generation determines the stability of our future generation — our children. Family literacy has been successful with these populations.

In the long term, program costs will diminish as families gain the skills and knowledge needed to take responsibility for their own path toward self-sufficiency and education. Government must communicate to the public that they cannot leave their fate and that of their children to public assistance and public decision making. Every American must take advantage of the opportunities to become trained and literate, and learn what it will take to be sure their child is prepared for the future.

**Question:** What do the American people want in a welfare system?

**Answer:** They want to abolish welfare.

In order to accomplish this goal, it is important to remember that the system must work for all the American people—not just those who have jobs and financial security—but those who are currently on welfare. Four tenets of a welfare system that generally yield agreement are that the system:

1. preserve and strengthen the family unit,
2. cease financial dependency on a government system,
3. provide work and training opportunities,
4. create programs that focus on outcomes for families.

Addressing welfare through family literacy is an opportunity to address these four tenets:

#### **Preserve and strengthen the family unit**

Family literacy preserves the family unit by recognizing that the parent is the first and prime educator of the child. Early results from evaluations of family literacy programs indicate that families gain from combining the four components of family literacy programs: adult education, early childhood education, time for parents and children together, and parenting and life skills development. Parents become more responsive to their children, children receive the developmental care they need, and families learn to work together more effectively. During parent and child interaction time, parents and their children spend time together in the early childhood classroom. Parents learn how to teach their children through play. They practice what they learn in parent education time by communicating with their children. Parent and child interaction time enables parents and children to develop new patterns and often more positive, supportive relationships. Parents also learn and practice how to make the transition of these new skills into the home. The home becomes a learning environment and the family members begin to support each other to contribute to each person's success.

#### **Cease financial dependency on a government system**

The National Adult Literacy Survey concludes that adults with proficiencies within the two lowest levels of literacy are far less likely than their more literate peers to be employed full-time, to earn high wages, and to vote. Moreover, they are more likely to receive food stamps, to be in poverty, and to rely on non-print sources for information about current events, public affairs, and government. The data from this survey appears to support the view expressed in a recent report from the American Society for Training and Development. "The association between skills and opportunity for individual Americans is powerful and growing....Individuals with poor skills do not have much to bargain with, they are condemned to low earnings and limited choices." *Poor skills* translate to welfare dependency.

Adults need strong motivation and positive reinforcement to continue to exert the effort to improve their literacy skills over time. Family literacy programs provide support in managing family responsibilities, taking care of children, and providing transportation and other day-to-day necessities. They have better results with families gaining self-sufficiency than those programs that do not include the family approach.

#### Welfare Reform and Family Literacy

##### Provide work and training opportunities

In the adult education portion of a family literacy program, basic skills instruction is provided for parents or the primary caregiver. Parents participate in adult education classes while their children are in early childhood education. Basic skills instruction is based upon the learner's needs and goals. The instruction is presented in context with the literacy skills the parent needs to function in the life roles of parent, consumer, employee, and citizen. Individualized, small group, and large group instructional approaches are utilized to develop skills needed at the workplace and in the home. Students explore training and education options, set career goals and are provided pre-vocational experiences. High school diplomas, vocational opportunities, and further education and training are expected outcomes for parents.

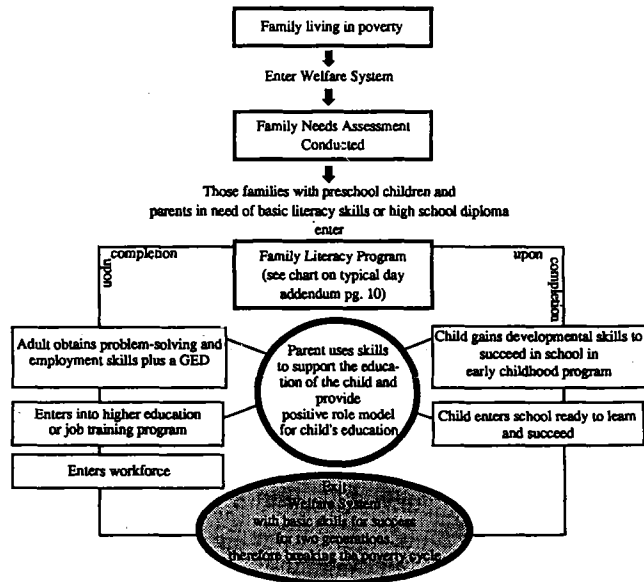
##### Create programs that focus on outcomes for families

A welfare recipient is going to be more successful in transitioning to a non-welfare environment when there is synergy in the community and coordination among the services being received. Being able to manage one's affairs, being part of a community setting, and obtaining and maintaining both mental and physical health services are benefits that will assist a welfare recipient in his or her quest for self-sufficiency. By coordinating systems, family literacy programs are able to maximize services offered to families.

Family literacy programs seldom rely on the resources of a single agency. Family literacy builds on existing programs such as Head Start, adult education, and family support centers to create a holistic approach and helps those programs be far more effective in both the short term and the long term view. The families who participate have a variety of needs that can be best met through a collaboration of services and resources. Programs are able to identify family needs and provide the vehicle to implement community coordination. Family literacy programs deal with families—they are more than adult education programs; they are more than child development programs. A family literacy program has the components to capitalize on these elements and to streamline and facilitate a multi-faceted approach that pulls similar programs together.

The following flow chart provides an example of how a welfare family may enter the system, participate in a family literacy program, and transition into the work force.

#### Family Literacy's Role in *Real* Welfare Reform



### Welfare Reform and Family Literacy?

*Literacy is the key to welfare reform and economic growth for this generation and the next. Having a parent who graduated from high school—a literate parent with skills needed for employment and parenting—is the ticket out of poverty and the ticket to eliminating welfare for our next generation ... and to families. Family literacy gives literacy programs added value.*

Bertha lives in Louisville, Kentucky, has six children, and used to depend on the government to feed, house, and clothe her family. She loves to tell the story of how one day, her children went to the mailbox and saw that the welfare check was not there. They couldn't believe it. Bertha told them they would never see a welfare check in the mailbox again. They haven't.

Regina dropped out of high school at 17 to get married, had four children, and was later divorced. She had never had a regular job and was living in one room with no electricity or running water. She was paralyzed with shyness when she ventured outside her home. She is now speaking in public, sporting a Magna Cum Laude from Mars Hill College in North Carolina, and is teaching school in the community where she lives. Her children, who were barely passing in school, are now on the honor roll and talking about college in their future.

What is the commonality between these two individuals and thousands of others who have broken the cycle of welfare dependency? The commonality is that they have been involved in a family literacy program. They are now working and adequately supporting their families financially. They are now able to give their children the emotional support they need to continue their education and not fall into the cycle of dependency the welfare system offers.

We know from these stories and thousands of others in every state that an effective welfare system with long-term impact must include a strong family literacy component. Family literacy can be the heart of welfare reform. It preserves the family unit, it creates self-sufficient families, it expands work and training opportunities, and it requires a coordinated system of funding and services that maximizes scarce dollars.

Family literacy is an education program for the entire family. It contains the following four components:

1. Adult education classes to achieve GED or alternative high school diploma
2. Early childhood education classes for preschool children
3. Parent and child spend time together to build upon parenting skills
4. Adult training to enhance parenting and life skills

The synergy of combining the components to focus on the family produces added value:

- Lifelong learning is promoted;
- Problem solving is increased;
- Children see parents as positive role models for learning and achieving.

Comprehensive programs like family literacy prepare families for self-sufficiency. Jobs will get families off welfare. Family literacy programs prepare adults to exit the welfare system with basic skills for success. Family literacy also enhances parenting skills to support the education of their children. This combination will break the poverty cycle. Money already being spent on programs should be directed toward families — not just toward children's programs or adult programs.

### What Family Literacy has Already Accomplished

The National Center for Family Literacy (NCFL) has become a *catalyst* for innovations that have brought families out of the welfare and poverty cycle. The efforts supported by NCFL strengthen the family through adult literacy and early childhood education, support school reform and foster economic development. NCFL supports programs in every state and works with state leaders and local program planners to help redirect ineffective, fragmented programs to a systemic change approach that works.

Family literacy is based upon a simple, but powerful, premise: that parents and children can learn together and enhance each others' lives. When parents and children learn together, attitudes of appreciation and respect for education are modeled for the children that pave the way for school success. Parents acquire new skills for work and home and renewed appreciation of their role as the most important teachers of their children. They develop positive and supportive attitudes about schooling, the work and joy of learning, and the connection between education and the quality of life.

There is evidence that each of the four components of family literacy appears to be effective in improving the lives of undereducated adults and in helping their children break the cycle of dependency.

- Adults participating in family literacy programs demonstrate greater gains in literacy than adults in programs that only provide instruction for adults.
- Participants in family literacy programs are more likely to remain in the program than participants in programs without the comprehensive services to meet the needs of the entire family.
- Adults who participate in the program for a longer period of time continue to learn.
- Children participating in family literacy programs demonstrate greater developmental gains than children in programs that provide child-focused services only.

A variety of efforts have been undertaken over the years to address the needs of undereducated adults and "at risk" children in the nation. Most agree that these problem areas are critical for America's future. Too many adults are not able to succeed in the present economy, and they pass this legacy on to their children.

**Welfare reform can be seen as an opportunity to assist families by achieving long-term gains to families rather than a short-term fix to welfare recipients.**

Family literacy works. A follow-up study of 200 families who attended family literacy programs in three states found that not one of the children in the programs had repeated a grade during the first four years of elementary school. That translates into a \$5,000 savings each time one of those children was promoted to the next grade, and dramatically reduced the chance the taxpayer will support the child in the future.

- While enrolled, children who were at the bottom of the nation in readiness for school made important gains on developmental indicators and performed better than comparable children enrolled in other programs. After leaving the program, those children who attended pre-school with their parents performed well in kindergarten and first grade.
- While enrolled, the parents of the children made important gains on achievement tests and performed well on GED tests. They continued educational progress after leaving the program, as well as being involved in the schooling of their children.

The growth of the parents was no less dramatic in other areas. A recent study from Atlanta confirmed that three years after completing the program, 79% of parents who had been on welfare were employed, enrolled in vocational training or other education programs, or had improved their lives in other ways. Participants of family literacy programs described their lives as gaining improved self-confidence and self-control, passing high school equivalency exams, being admitted to college, securing new jobs, and enjoying much better relations with their children. In terms of employment, getting one parent into the work force and keeping that parent there will pay for the cost of the family literacy program.

In the year 2000, 14.2 million children, or one of every four children, will be living in poverty. Twenty-five percent of those children will be held back in school because of the poor circumstances in which they live. The cost to the taxpayers will be \$18 billion a year. Statistics tell us that as many as 75% of these children will need remediation in our public schools. At an average cost of \$3,000 per student, the bill can easily add up to \$32 billion. If we factor in those children who drop out of school as the ones giving birth, the cost rises to \$35 billion a year. We must remember these infants need intensive health services — not to mention the cost of crime, juvenile delinquency, drug and alcohol abuse, and all other social ills that are compounded by the problems of poverty and illiteracy and children having children.

These problems can be alleviated but we must strategically plan for the future to improve our efficiency in the new global economy and save tax dollars to reduce the deficit; but, most important, we must preserve the family. In family literacy programs, parents and children develop as partners in learning and become partners in success. Family literacy means more than what parents and children learn. It also means who they become. It means families growing to believe in themselves, to believe in their future. It means systemic change.

### Funding

We need to be assured that the money already being spent is directed toward families, not just adults or children. There also needs to be assurance that there is not duplication of efforts in the implementation of programs. In the addendum of this paper, a description of 37 public funding sources is referenced. As noted in this summary, public funding sources which may support family literacy services are many and varied. Some are appropriate as primary funding sources—covering the cost of core component services like adult

education and preschool instruction. Others have potential as supplementary funding sources, which might increase core component resources or provide, for example, staff and in-service training or transportation for families. Finally, some programs or agencies may be important collaborators or referrals for participating families.

#### Recommendations

1. The welfare system should be reorganized to focus on a family needs assessment, rather than entitlement criteria or time limits.
2. Family literacy should be a requirement for participants who have not completed high school and have a pre-school child.
3. Congress should fund model demonstration programs, staff development, and research and evaluation to identify quality programs and create a vehicle to abolish ineffective programs.
4. Programs funded under the auspices of welfare reform should be directed toward family units, as opposed to individuals within the family.
5. All new and existing legislation should be screened for its ability to create self-sufficiency, as opposed to dependency on government programs.

#### Addendum

##### Key Points Regarding Welfare Reform and Family Literacy

An effective welfare system with long-term impact must include a strong family literacy component. Family literacy should be the heart of welfare reform. It preserves the family unit, it creates self-sufficient families, it expands work and training opportunities, and it requires a coordinated system of funding and services that maximizes scarce dollars.

Welfare reform must have an impact on the entire family.

Family literacy is an education program for the entire family.

What are the four components of a family literacy program?

1. Adult education classes to achieve GED or alternative high school diploma
2. Early childhood education classes for preschool children
3. Parent and child spend time together to build upon parenting skills
4. Adult training to enhance parenting and life skills

What is the added value of a family literacy program?

- Lifelong learning is promoted
- Problem solving is increased
- Children see parents as positive role models for learning and achieving

Will a family literacy program get families off welfare?

Jobs will get families off welfare. Family literacy programs prepare adults to exit the welfare system with basic skills for success. Family literacy also enhances parenting skills to support the education of their children. This combination will break the poverty cycle. Money already being spent on programs should be directed toward families—not just children's programs or adult programs.

#### Supporting Information and Data

For the first time in the history of the United States, we have information and accurate data regarding the literacy levels of our population. The continuing dilemma in striving for a competent workforce was confirmed in the National Adult Literacy Survey. This report was commissioned by the U.S. Department of Education and published in 1993. Twenty six thousand adults' ability to read and problem-solve was assessed. The results found:

- Ninety million adults (almost one half of the population) were in need of remediation with reading and math skills.
- Of that 90 million, 44 million were in the lowest level of literacy. Many of these individuals did not have the skills to determine the difference in price between two items, time and place of a meeting in a letter, or locate very simple information in a brief news article. Still others in this group could not even read the test.



- Because of such limited reading skills, others were not able to respond at all. For those in the age group of 21 to 25, the reading ability has become statistically worse since 1985.
- The study confirms that economic achievement is linked to education. Adults with the lowest levels of literacy have the weakest ties to the job market and the lowest level of earnings.
- This study also confirms the link between the literacy competence of children and the educational level of their parents.
- Of the adults who ranked in the lowest of five literacy levels, 80% were unemployed and most relied on public assistance. The nation's economic "ball and chain" must be defined as the unprepared adult workers whose growing numbers of offspring have no other positive role models to change their mind set.

The logical solution to solve the problem today is to provide a good foundation of basic skills for the adults, prohibiting future generations from falling into the same undereducation and poverty cycle. By the year 2000, it is estimated that 14.8 million children will be living in poverty. That represents one in four overall, and one in three in the urban areas.

- Children who live in poverty are five to six times more likely to drop out of school. The nation lost those children, our future, when we lost the war on poverty. We are currently seeing the results of the lack of investment the United States has made. The fact is that we must repair today what we didn't do for these young adults 20 years ago.
- When these children drop out of school they are more likely to "drop into" the welfare system. From the research that came out before the Seventies, we've known that the one predictor for school success for the next generation of workers is the educational attainment of the parent.

The following are important dimensions of intergenerational literacy:

- Children whose parents are functionally illiterate are twice as likely as other children to be functionally illiterate.
- The large number of students who leave school prior to high school graduation contributes to the national problem of functional illiteracy. This problem is most acute in urban, low-income areas and among Hispanic youths.
- The concept of functional illiteracy is most often discussed in the context of workplace demands. However, adults who are parents need literacy skills to meet the health, nutrition, safety, and educational needs of their children. A parent with low literacy skills may be unable to read or respond to printed notices from a child's school or be unable to follow the instructions on a child's medication.
- Many parents with low-literacy skills experienced such frustration and failure as children that, as adults, they avoid literacy-related activities. These parents often communicate negative attitudes toward literacy and schooling to their children, and thus perpetuate an intergenerational cycle of illiteracy.

The cost is not only a monetary one but it is also a cost in terms of the loss of human spirit; a loss we cannot afford. As more of our population become enmeshed in this intergenerational cycle of undereducation and poverty, they look to government, business, and public institutions to alleviate their struggle. If we are to find ways to stop this downward spiral, we must go beyond the confines of traditional thinking.

### Sources of Funding

#### Public Funding Sources

Public funding sources which may support family literacy services are many and varied. Some are appropriate as primary funding sources—covering the cost of core component services like adult education and preschool instruction. Others have potential as supplementary funding sources, which might increase core component resources or provide, for example, staff in-service training or transportation for families. Finally, some programs or agencies may be important collaborators for a program or referrals for participating families.

#### National Institute for Literacy State Literacy Resource Centers

**Adult Education Act****U.S. Department of Education****Adult Education Act**

State Administered Basic Grant Program for Adult Education

National Workplace Literacy Program

Literacy for Incarcerated Adults

**Elementary and Secondary Education Act**

Chapter 1 Even Start Family Literacy Program

Migrant Education Even Start

Chapter 1

Chapter 2

Carl D. Perkins Vocational and Applied Technology Act

Title III Part B Consumer and Homemaking Education

**Higher Education Act**

Student Literacy Corps

English Literacy Act

Stewart B. McKinney Homeless Assistance Act

Indian Education Act

Bilingual Education Act

Library Services and Construction Act

**U.S. Department of Health and Human Services**

Head Start

Family Support Act

Child Care and Development Block Grant

Community Services Block Grant

**U.S. Department of the Interior**

Bureau of Indian Affairs (BIA)

**U.S. Department of Labor**

Job Training Partnership Act

Title II

Title IIA

Title IIB

Title IIC

Title III

**Other Public Resources**

Drug-Free School and Communities Act (Department of Education)

Education of the Handicapped (Department of Education)

Education of the Handicapped Preschool Program

Rehabilitation Act (Department of Education)

Community Development Block Grants/Entitlement Grants

Community Development Small Cities Block Grants/Non-Entitlement Grants

Title XX Social Services Block Grants

Other Related Programs

Juvenile Justice and Delinquency Prevention

Foster Grandparents

Child Welfare

Child Support Enforcement Grant

Foster Care and Protective Services

Native American Programs

Special Supplemental Food Program for Women, Infants and Children (WIC)

Community Health Care Centers and Local Health Departments

Family Planning (Title X)

Maternal and Child Health Services Block Grant

Alcohol and Drug Abuse and Mental Health Services Block Grant

Volunteers in Service to America (VISTA)

Retired Senior Volunteer Program

Department of Employment Services (Department of Labor)

Food Stamp Programs

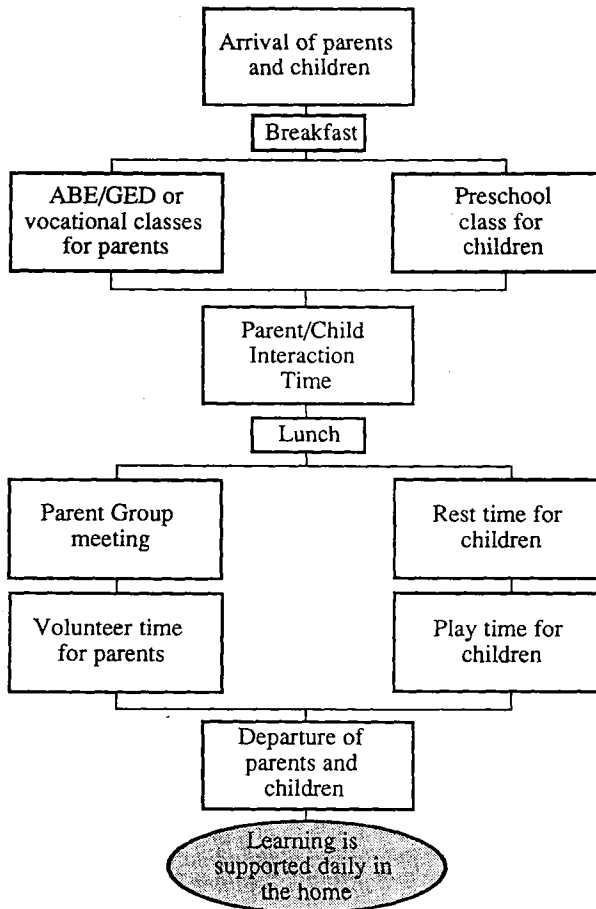
Targeted Jobs Tax Credit

Medical Assistance - Medicaid

Wagner Peyser Discretionary Program (Department of Labor)

## Frequently Used Primary Funding Sources for Family Literacy

Funding Source	Description/Purpose	Flow of Funds	Eligible Funding Recipients	Other/Comments
Chapter I Even Start	Provides educational services for undereducated parents and their children aged birth to seven. Integrates early childhood education, adult education, and parent education.	Federal-State-Local	Local school districts in collaboration with other agencies/organizations. Community based or other nonprofit organizations in collaboration with school districts. Indian tribes.	Annual grants for up to four years.
National Literacy Act/ Adult Education Act  Basic grant program for adult education	Provides basic literacy skills instruction, high school or equivalency (GED) preparation for out-of-school adults aged 16+.	Federal-State-Local	Local school districts, other public or private agencies/organizations.	Most common source of funds for adult education component. Also may provide some parenting education activities.
Head Start	Provides health, education, nutrition, and social services to disadvantaged preschool children and their parents.	Federal-Local	Local public and private nonprofit organizations.	Collaboration with local Head Start programs provides the preschool component typically, but parent education, adult basic skills, and parent-child interaction also may be supported.
Job Training Partnership Act (JTPA)	Under various programs (titles) provides remedial education, pre-employment training and other employment related services to youth and adults aged 14+. See specific titles for eligibility.	Federal-State-Local (or) Federal-State-Service Delivery Areas (SDAs)-Local programs	Depending on the program (title), local SDAs, school districts, other public or private organizations.	Contact local Employment and Training Office.
Chapter I	Provides assistance for low income children, grades pre-K-12 to help them succeed in school/attain grade-level proficiency. Also provides parental involvement activities.	Federal-State-Local-Individual schools	Local school districts and schools with high concentrations of low income children.	May fund preschool/classroom component and selected parent activities.
Family Support Act  JOBS Program	Mandates education (if without HS diploma) or jobs program for AFCD parents. Some exemptions exist. Provides funds for education and support services.	Federal-State-Local	Local welfare agencies or local education agencies, JTPA programs, community based organizations.	Administered through state welfare agencies (departments of social services). Provides funds for adult education and support services including child care, transportation, and transition to work.

**Typical Day at a Model Site**

Chairman SHAW. Thank you, Ms. Darling.

Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

I think this is a particularly impressive panel. I know you, Mr. Gaffney, have been a leader in the national fight against unfunded mandates and you have been very active on a number of fronts. I was wondering, in your view, given that you have outlined for us a very innovative program that has been very successful in your community, can you generalize some concerns about the idea of block granting welfare as a general system?

Do you feel that if we put in safeguards such as providing additional funding for those States that have a downturn in their economy and, hence, an increased demand on the welfare system, if we address some of those basic concerns and perhaps create more of an opportunity for local officials to have input into the design of the system at the State level—although, as both Mr. Ensign and I pointed out, I am not sure quite how we would write that into a bill at the Federal level—do you feel that a block grant proposal could deliver more effective welfare services, a better designed welfare system at potentially a lower cost?

Mr. GAFFNEY. It has that potential, but I think it is critical that those kinds of safeguards and precautions be built into the legislation. I think a major concern would be the relationship that existed between the local government, in our case Suffolk County and the State of New York. Recently, that relationship has been improved significantly. But the fact of the matter is that the degree of success that you would have in that would depend in large measure on the attitude of the State government and how much they are willing to share the control of the program with local government. In Suffolk County's case, we pay half of the cost of social services that come to the State of New York, so it is an expensive proposition.

If we are able to work closely with State government, as we now are, to create a reformed welfare system within New York State, then I am much more comfortable with block grants than I might otherwise be. But I have to tell you that, as the incoming president of the New York State Association of Counties, there is a certain amount of misgiving on the part of local governments all over with regard to block grants, and that ambivalence needs to be addressed, I think.

Mr. ENGLISH. Mayor Austin, as an arm of the Pennsylvania League of Cities and someone who is very active in some of their legislative proposals, do you see some ways that, as we design the block grant system, if, in fact, that is the direction we go in, we can provide some assurance to local elected officials that they will have input into the system and that they are not going to have what you have described, in effect, as unfunded mandates passed down to the local level?

Mr. AUSTIN. One, I do not think we have any choice but to do that, if it is going to really work. We have seen in the last decade American industry decentralized and have its components create through empowerment, they become ingenious and create and make a better product. Government does not seem to do that very well. We structure it from the top down.

What we need to do in government is to unleash this huge pool of talent at the local level where the real genius of experimentation is, and let us function in this area and come up with better ways. Now, how do you do that? It is very difficult. But there has to be built in a targeting process, a mechanism for targeting to get through and to have this creative atmosphere where the local governments, the hands-on people can be looking around for other ways.

Because once the State level or the Federal level think they have got the system perfectly, you know it is going to always have to have an opportunity to improve. It has to always have the opportunity to get better, and adequate targeting provisions for local government, something built in there with the local government, the counties and the cities participating in the distribution system, and not lock it to a blueprint for success which will be a blueprint for failure, if you take out the creativity, the ingenuity, the experimentation at the local level of how to best get this job done. If we knew how to do it, we would not be in the mess we are in.

Mr. ENGLISH. Thank you, Mayor Austin.

I think both of you gentlemen are indicative that there certainly is the creativity at the local level to provide some input.

Thank you.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Mayor Austin, basically what you are saying here about these unfunded mandates passed on to the cities, without education and training and without some national standard and the flexibilities that we might give to the States, it would be very difficult for mayors like you to see a welfare program shifted to the States, giving them all of the flexibility, without a strong national standard to guarantee some type of education and training to the workplace. Is that basically what you are saying in your statement here?

Mr. AUSTIN. I think obviously you cannot release large sums of money without having measurable goals and objectives that you can go back and measure and ascertain whether you have succeeded or not. Of course, you should account for the taxpayers' money when you release it to local governments. But can we perform at the local level with loose guidelines as to how to take care of our children and to provide and make sure that our children are nurtured and loved and sent to the first grade ready to learn, instead of a dropout at the beginning of the system? Yes, we can do that. We are doing that in Jacksonville, Florida, before this system came into effect with volunteers and people helping.

When the Federal Government and the State government took it over, the local people disappeared. There was no participation. The bureaucrats and the social service people took over and we lost the community involvement in this effort.

If you put a welfare system in place, give us the guidelines for spending the money within reason, and then let us create and experiment, you will have—and I do think you have to stop the cash incentive, I think you have got to put more personal accountability in there—I think you will have a better system. The cost in crime, the cost in dropouts, the cost in loss of productivity, the cost in pre-

mature babies uncared for, and mothers in prenatal care, those costs far exceed the costs of welfare payments to society to a city.

So if we get in and start taking care of these things hands-on, instead of having a failed system that we have, our society is going to be better off down the road, even if we make some mistakes here for the first 2 or 3 years in getting it turned around.

Mr. FORD. Ms. Tollett, you talked about the unemployment rate among African-Americans in the year 1994 at the level of about 11.5 percent, and 5.3 percent for white Americans. We saw the latest reports I guess at the end of the year, that African-American unemployment was down to about 9.7 percent from the Labor Department figures. We also know that there are probably 2 or 3 percentage points that are not counted in this unemployment rate in the urban areas and the deteriorating cities.

We have seen that the Personal Responsibility Act is not really addressing training, education and job opportunity and no new job creation and you stressed very strongly in your opening statement that we should really focus on job creation. Have we not seen all of the reports from this Personal Responsibility Act in many of the Republicans who campaigned in the fall election?

Have you seen the race card being played here somewhat, when we talk about African-Americans? In all of the television shows that we have seen, we have projected African-Americans to be the cheats on welfare. They want us to believe that these cheats are there, rather than really focusing on what the real problems are, and those problems are jobs in urban and rural areas throughout this country.

Ms. TOLLETT. I think that there are problems with the depiction of who are the people receiving welfare. At NBCDI, we believe that while there is a lot of talk about we need to put people to work, there is not enough discussion about job creation and what jobs people will go to work in. So we think that there must be much more discussion about the jobs that we want to create in our cities, because we know that children do well when they have parents who are working. Parents who are working and educated raise healthy children.

So we would like to see much more discussion about the job creation piece of this whole problem, because, as I noted, double digit unemployment has done terrible things to African-American families, and a third of African-Americans are in poverty, and so we must look more at job creation and focus more on job creation. And I think we need leadership from Congress to start talking about it.

Mr. FORD. Thank you.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

We have had actually hearings on a lot of the job creation ideas. As a matter of fact, one of the proposals that I have been working on that has to do with enterprise communities and empowerment zones, lowering capital gains taxes and increasing expensing, to bring those jobs to the areas that need them, not based on race. We have to eliminate looking at race or religion, for example, and provide for all people that are economically disadvantaged, the incentives for getting off welfare. This may affect one race more than

another, but it certainly affects everyone. You know, poverty knows no creed or race.

Ms. Darling, I want to get to some of your testimony, because I really enjoyed some of the things that you said. You talk about providing for the family and you talk about a lot of good things that we should focus our welfare programs on. I just have trouble seeing how the Federal Government can do it, because you talk about compassion, you talk about a lot of the things that could be done so well at the local or even at a private level, because there is human-to-human contact, there is compassion. But it is very difficult for the Federal Government to have that, and that is one of the reasons that we are talking about devolving the system as much as we can back to the local level.

Ms. DARLING. First of all, I think the Federal Government does have a role in this. For one thing, as we look at putting pieces together of programs, because that really is what we are talking about. We are talking right now, if you are looking for job training or literacy, you might get up in the morning and go off to a literacy program somewhere down the street, your child may go to a Head Start Program, you may try to find child care for your younger child, you come home at the end of the day having accomplished something, but the pieces have never come together. So we never really send the message that this is a unit here and we are trying to help the whole family support each other.

When we look at Federal funding, for example, we know that Federal funding does that oftentimes through eligibility criteria, through saying that this part of the family is eligible for this service and this part is eligible for that service, and this one should be doing this. We look at fragmentation of services and fragmentation of funding.

So we start looking at it comprehensively and start building into every piece of legislation that passes out of Congress something that focuses on the family. How does it affect the family? We are targeting on this one problem over here. Let us fix it, let us fix the child, let us fix the adult, let us fix the home, let us fix housing. But how does it work with the whole family unit, and how can we strengthen the family? I do agree with you that it is compassion.

Mr. ENSIGN. I agree with your statement, and that is what I like about what you said. I just think it is so much more difficult to do it as a cookie-cutter approach from up here in Washington, because in Las Vegas we are doing some of those things. We have centralized some of our senior centers to where we are bringing a lot of services together in one building. But for us to try to legislate that from here, it just would not work.

We have creative local leaders that are coming out with a lot of these great ideas, but it is incredibly difficult to say what is going to work in Las Vegas or is going to work in North Dakota or wherever. So I think that is why there are some proposals about block granting with some guidelines, which would give the States and local governments some flexibilities on what to do.

Ms. DARLING. I think so, but I think we also need to help. You know, we are finding that there are some pockets of really excellent activity going on out there. We have programs in every State of the Nation now, and so we are involved with those. But people need



a new way of thinking about their work and you need a new way of focusing on the family. So that can come from a national initiative. It can come from investing in helping those models spread and investing in helping people be retrained and thinking in a new way about systems change.

Mr. ENSIGN. Thank you.

Mr. FERSH. Mr. Ensign, I wonder if I could answer part of what you raised.

Mr. ENSIGN. Surely.

Mr. FERSH. I think you are right. Our experience is there are wonderful programs operating at the local level. Many times, though, there are Federal funding streams that become the building blocks for more successful programs.

In Los Angeles, for instance, a program now run out of Mayor Riordan's office takes care of elementary school children, 4,500 of them a day in inner-city Los Angeles. And one of the keys to the success of this program which reduces crime, averts behavioral problems, makes kids feel better about themselves, and so on, is the fact that they get a snack every day after school. The director says that is what settles the kids down, that allows them to take care of the hunger pangs they have, and it helps assure her success, and it has been documented by various studies.

She has issued a plea that she does not want to lose that ability to serve the children who are eligible. If you move to a block grant, there will be a competition for funds. She wants to serve 10,000 kids a day, not 4,500. So I urge you to look at this. Not all Federal programs are heavily bureaucratic. Some of them are well-designed building blocks for the ultimate end of reducing dependency.

Mr. ENSIGN. Thank you, Mr. Chairman.

I hope you address Mr. Gaffney, because I am real interested in that fingerprinting thing, too.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

Mr. Gaffney, you said in your testimony that in 1994 the program turned down 50 percent of the new applicants. This is new applicants for AFDC overall?

Mr. GAFFNEY. Home relief and AFDC, primarily home relief, however.

Mr. LEVIN. So 50 percent relates to home relief, which is what in your county?

Mr. GAFFNEY. Home relief is a program which does not exist in every State. In New York, home relief is a program whereby people who would not be eligible under other programs, would receive public assistance. Those are primarily single individuals without families who are no longer eligible for unemployment benefits or for some other reason become public charges who are not qualified for Social Security assistance. It is a smaller number certainly than AFDC, but it is a serious consideration.

Mr. LEVIN. I think that needs to be clarified.

Mayor Austin, I think your testimony helps spark the discussion about appropriate models, and all of us are looking at it and I think doing it seriously. Let me ask you, in terms of models, for example, in the mental health field in the last 20-25 years, there has been a strong effort to move the responsibility down to the

local level and essentially get the Federal Government out of it and in large measure the States. Is that model working in Jacksonville?

Mr. AUSTIN. I honestly do not know what we are doing in mental health in Jacksonville. I do not know what it is.

Mr. LEVIN. Is there a homeless problem in Jacksonville?

Mr. AUSTIN. I'm sorry?

Mr. LEVIN. Is there a homelessness problem in Jacksonville?

Mr. AUSTIN. Yes, sir. We are building a new multimillion dollar homeless center now in our city, and we will handle that problem locally. We are getting help from certain agencies. We are addressing that locally. But there is a big homeless problem there.

Mr. LEVIN. Is there some help coming from the State?

Mr. AUSTIN. Most of that we are doing with a local bond issue and we will handle most of that homeless problem locally.

Mr. LEVIN. Are there Federal funds involved in any of the homeless—

Mr. AUSTIN. I do not think we are getting any grants on this particular center. There are programs for our nutrition centers and these types of things. To the extent the homeless participate, I do not know, but we are not getting for our basically municipally operated program any help on that, to my knowledge. I am not an expert on it.

Mr. LEVIN. I think your appeal for more local involvement has a lot of strength. One of the issues we have to face here is what you referred to as the cash payment to teenage mothers. You say conditions vary from place to place, leave it up to local communities. So how do you reconcile that plea with what seems to be your position there ought to be a national policy on whether there are cash benefits to teenage mothers and their children?

Mr. AUSTIN. Well, it is a national policy now. My recommendation is that you change the policy, have the savings flow through and let the local governments with appropriate safeguards and checks on auditing and measuring the results, let us have that money to provide the services other than through cash. Now, do I have all of the answers or part of the answers? No, but I do know that what we are doing now is a disaster.

Mr. LEVIN. It clearly is not working. But if local communities want to provide a cash payment to the children of a teenage mother along with other services, should they be able to do that, or should there be a—

Mr. AUSTIN. I would not put a limit and I would let those local governments have it for a while, then review it, audit it, check it and see what the results are. But I would not put a lot of restrictions on the local governments on how they administer it, making sure they get the fundamental services out there.

The American people are not going to let our people go hungry. We are going to get all of the things done. We are going to provide the basic services. But how we provide those services, we have superimposed a way that was wrongheaded and counterproductive and destructive of our society. We should go back now and let us experiment at the local level and come forward with better programs, and we will come forward with some successful programs. We will stub our toe some, but we will in the end get a much better product.

The answer to your question is, yes, I would let the local governments experiment, and if there were some cash disbursement, I would permit that. I would hope that they would discourage it, because I think it is counterproductive. But I would not put a lot of restrictions on those local governments.

Mr. LEVIN. Thank you.

Chairman SHAW. The time of the gentleman has expired.

Mayor Austin, having been a mayor myself of Fort Lauderdale, Florida—

Mr. AUSTIN. I am aware that you were mayor of Fort Lauderdale, sir.

Chairman SHAW. So you can well imagine that I look at the world a lot like you look at the world and know the importance of local decisions.

I can see some problems, though, when you have a city like Jacksonville, which covers the whole county. It makes perfect sense for the Governor of Florida to allocate to you and to your local government certain programs to run in order to take a better look at this, and I applaud that. I have said that to the Governors, I have said that to the U.S. Conference of Mayors when they met here in Washington last week, and I say that again to you today.

However, when you get down to some other smaller communities, for instance, to Broward County or Dade County or Palm Beach County, and my district spreads over all those counties, you have so many municipalities that it would be impractical to set up that many types of systems.

It is our intent to put into the legislation as much flexibility as possible so that the States can make a determination as to what is practical in a particular area. We are going to set up the system such that it does not have to be the same in all parts of the States, so that, for example, the Governor of Florida can recognize that there are problems in Duval County that there may not be in Dade or vice versa. I think that is going to be the key to what we do, to give the States and localities flexibility in setting up their programs.

Mr. AUSTIN. But it does not have to go down to the States en bloc. If you take 7, 8, or 10 metropolitan areas, you would have about 90 percent of the population in Florida, and you could have a system for certain areas and another system for the smaller areas. I do not know how to do it. I do know that you know that the State bureaucracy can be as oppressive or more oppressive than the Federal bureaucracy, and we need to be able to be at our own level.

They took over at the State level in the State of Florida in the seventies, as you remember, Mr. Chairman, the administration of juvenile justice and the juvenile system away from local governments. It has continually gone the wrong way since they took it over. Now, they are gradually giving it back.

The point I am making is we can administer these programs, but hold us accountable, make sure we do it. If we do not, punish us. But I am convinced that a net gain here, because we are just spending so much money on what is coming out of the system with prisons and lost productivity and dropouts, that we have got to address it and we have got to get the money for it.

Chairman SHAW. I want to get over to Mr. Gaffney for just 1 moment. I am intrigued by your fingerprint system. Does this give instant identification as to who we are looking at?

Mr. GAFFNEY. It does. It is a finger imaging system.

Chairman SHAW. Is this a system that could be put in nationwide to be sure that the same person is not collecting benefits out of two or three States?

Mr. GAFFNEY. Exactly. Right now, it is being used in Suffolk County and we are linking up with an adjoining county, Nassau County on Long Island, so we will have a base.

Chairman SHAW. Can this also be used to be sure that the same children are not being counted in three and four families?

Mr. GAFFNEY. It is possible. That is another possible application for it. What it does is it takes a computerized finger image of the index finger. It is not the traditional ink and roller type fingerprint. It is not interchangeable with other agencies, but it can be used within an internal system or it can be used, as it will be now, as Governor Pataki has indicated he wants to do it statewide in New York. We would like to do it with other States, as well. I think on a national basis it could virtually eliminate fraud, that fraud which is part of the identification process throughout the country. It does have potential national application.

Chairman SHAW. Thank you.

Mr. AUSTIN. Mr. Chairman, if I might, the League of Cities would respectfully request to the extent possible—and we know the constraints of your time—to the extent possible, the League of Cities would very much like to participate in any way we can to be of assistance in this process.

Chairman SHAW. I yield the balance of my time to Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Just one follow-up question to Ms. Darling. Is there anything in this Contract With America on welfare reform that would help families stay off of welfare that you know of?

Ms. DARLING. Well, I think the most important thing that will help families stay off welfare is to have a system that brings them together and focuses on the family. So there are a lot of things that—

Mr. FORD. Is there anything in the Contract With America that you can point to that would help families stay off of welfare? I am not speaking of your research, but certainly we want those suggestions. You can give those to me, but can you point to the things in this Contract With America on welfare reform that will help families stay off of welfare?

Ms. DARLING. I think that when we look at what is going to help people stay off welfare in the Contract, it really is looking at bringing the pieces together, bringing the funding streams together, looking at ways that we can reconfigure our resources, not add new resources, ways to focus on the family in a much broader context than we have ever done before.

Mr. FORD. Would you like to respond to that, Ms. Tollett?

Ms. TOLLETT. I cannot really think of anything that really is there to strengthen family life, because, as I said earlier, we need to have expanded child care if we want mothers to work, we need to have job creation, and I do not remember it talking about it. It

talks more about time limits and caps and things that would make parenting very difficult. We think that we should want to make parenting and families work well, and so this is why I brought the suggestions that we have that we want policies that will strengthen the family, as opposed to making it difficult for mothers and fathers to raise their children.

Mr. ENGLISH [presiding]. Thank you. The gentleman's time is expired.

We appreciate this panel coming out and taking the time to share their perspectives.

We would like now to make room for the next panel. Thank you, ladies and gentlemen.

The next panel will consist of Nanine Meiklejohn, legislative specialist for the American Federation of State, County and Municipal Employees; Ron Field, senior vice president for public policy of Family Service America; Carol Romero, deputy director for research of the National Commission for Employment Policy; Harold Acres, chairman of the United Way of America Welfare Reform Task Force; Miriam Ramirez de Ferrer, president of Puerto Ricans in Civic Action.

Is Leola Stowall present?

Ms. SMITH. I am in place of Leola Stowall.

Mr. ENGLISH. And your name is?

Ms. SMITH. Leona Smith, president of the National Union of the Homeless.

Mr. ENGLISH. Thank you very much.

I would like to first recognize Nanine Meiklejohn from the American Federation of State, County and Municipal Employees. Each panelist will have 5 minutes. They are welcome to provide written testimony in addition, but, given the number of panels we have today, we will have to rigorously enforce the time limit.

Ms. Meiklejohn.

#### **STATEMENT OF NANINE MEIKLEJOHN, LEGISLATIVE AFFAIRS SPECIALIST, AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES**

Ms. MEIKLEJOHN. Thank you, Mr. Chairman.

My name is Nanine Meiklejohn, and I am a legislative affairs specialist at the American Federation of State, County and Municipal Employees. We have a more detailed statement which we would like submitted for the record, and we appreciate being here today.

Mr. ENGLISH. It will be submitted.

Ms. MEIKLEJOHN. Today I would like to discuss some of the labor market aspects of the large-scale Workfare Program in the Personal Responsibility Act, a plan in which up to 1.5 million welfare recipients could work full time in exchange for AFDC benefits. In the typical State, this would be equivalent to working for about \$2.42 an hour.

As working men and women, AFSCME's 1.3 million members value work and are proud to serve the public. For some, joining AFSCME offered a way off welfare, because they earned so little that they qualified for food stamps.

A welfare system centered on work is fully consistent with their values, but a program which devalues workers is not. Clearly, welfare reform means making every effort to help welfare recipients get real private sector jobs. But what happens if they cannot find work? The PRA answers workfare and time limits. We think this answer overlooks the diversity of welfare recipients, the realities of the low-wage labor market, and the labor market impact of workfare.

As you know, families on welfare are not all the same. Many live unstable lives in communities with high unemployment. Some mothers function at marginal levels which are not severe enough to qualify them as disabled. Many others work in low-wage jobs which often do not qualify them for unemployment insurance, so they turn to AFDC instead during periods of joblessness.

What does the strict workfare requirement say to these families and other workers? First, it says the work record of low-wage women workers cycling between welfare and work will not count. They must work off their benefits, even though they had jobs. Second, it says to many children they will not get any cash assistance if their mothers cannot meet a full-time work requirement, for a variety of reasons, perhaps personal handicap, unstable living situations, or lack of child care.

Finally, it tells women in workfare they are second-class workers. It devalues the worth of both paid employees and welfare workers, depriving them both of the self-respect and dignity that comes from work. Because workfare assignments are not real jobs, large-scale workfare programs will drag down other workers, as employers see that they can get free labor. We will have a new game of musical jobs. The lucky ones will get real jobs which do not pay as well as they once did, and the unlucky ones will get workfare. Sometimes the unlucky will be laid off public workers who cannot find work and go to a public sector workfare program.

Consider how workfare would look in New York City. The city lost half a million jobs between 1987 and 1992. Now there are 7 job seekers for every 1 job. A weakened tax base has eventually led to city layoffs. Now the mayor is moving to put all 30,000 home relief recipients in workfare and will have to place an additional 60,000 AFDC mothers in workfare, if the PRA were enacted.

Most urban and rural areas with high unemployment will experience similar challenges of scale. Is there displacement of real jobs here? Certainly, the pressures of size will cause displacement, and the appeal of unpaid workers will be hard to pass up. In fact, the New York City Parks Commissioner, who plans to have 2,000 more workfare people than regular employees in the parks by the end of this year, recently was quoted as saying we cannot be too public about this, but this is an offbudget way to keep the parks clean as our head count declines.

If welfare reform means cleaning neighborhood parks, serving school lunches and cleaning hospitals by relying on unpaid workers on welfare, instead of paying workers a living wage, then AFSCME is not for it. But we are for a more reasonable approach which would give States flexibility to create a variety of work and training activities, including real jobs.

It would have flexible work requirements which reflect recipients' needs, local labor market conditions and employers' abilities to absorb additional workers without displacing real jobs. Strict requirements not to replace jobs of the working people are crucial. And when welfare recipients perform like regular employees, we believe they should be treated the same.

AFSCME members want to be partners in reforming welfare. They can help turn the welfare offices where they work into places that give people opportunity. We can and have developed effective relationships with local administrators of local work programs. But fundamental to real welfare reform is an understanding that valuing workers is as important as valuing work.

Real welfare reform should balance the values of work and responsibility with those of dignity and compassion. It should lead to decent jobs that pay living wages for those who can work, and provide last resort cash assistance for families when mothers cannot find jobs.

Thank you.

[The prepared statement follows:]

Statement  
of the  
American Federation of State, County and Municipal Employees  
before the  
Ways and Means Subcommittee on Human Resources  
U.S. House of Representatives  
on  
Proposals to Reform Welfare  
February 2, 1995

Mr. Chairman, my name is Nanine Meiklejohn. I am a Legislative Affairs Specialist at the American Federation of State, County and Municipal Employees (AFSCME).

AFSCME represents approximately 1.3 million members who work in state and local governments and private non-profit agencies. Our membership ranges from highly trained professionals and technicians to lower skilled low-wage and part-time employees. For some of our members, joining AFSCME offered a way off welfare because they earned so little they qualified for food stamps.

Among our members are approximately 75,000 social service workers nationwide. Many are intake workers and caseworkers in the Aid to Families with Dependent Children program (AFDC), job counselors in the employment service offices, and food stamp and medicaid eligibility workers. They sit at the center of the current debate, trying their best to carry out policies made in Washington and state capitols and to help the people who enter their offices. Yet the public leaders who talk about reform welfare give them little, if any support, or worse yet, attack them -- even as they face an increasingly difficult job with fewer resources and dwindling support.

The welfare system has changed dramatically since the late 1970s when caseworkers could coordinate services for and help their clients. Caseloads climbed dramatically during the 1980s because of recession, dramatic increases in the contingent workforce, and constricting eligibility rules under state unemployment programs. Simultaneously, federal policies changed to require local welfare offices to make eligibility verification and detection of fraud and abuse priorities over case management.

Budget cuts through the last decade compounded these problems by leaving welfare offices with reduced capacity to provide the services. For example, in urban areas in Ohio, caseworkers routinely handle 450 cases or households. When the entire household is considered, the number of persons for whom a caseworker is responsible doubles or triples.



Real welfare reform requires a commitment to reinvest in local welfare offices and simplify complex, confusing, often conflicting, requirements. Front-line workers must be empowered to help welfare recipients who can work to find jobs that pay living wages. Securing the active and meaningful involvement of front-line workers is a critical component of reinventing and changing the culture of local welfare offices.

Real welfare reform also cannot simply focus on changing the AFDC program. In particular, we do not think that significant changes in behavior can be achieved by using negative incentives which deprive children of a minimum level of cash assistance because of the actions of their parents. Among such proposals are those that would deny assistance to any child who is born while the family is on welfare, whose mother was under 18 at the child's birth, or for whom paternity is not established. There is little evidence to support the effectiveness of such a strategy, and much harm can come to young children.

AFSCME does not take issue with expectations for responsible behavior by welfare recipients, and indeed by every member of our national community. But real welfare reform is about children and jobs, and hope and opportunity must go hand-in-hand with responsibility.

That is why we believe that real welfare reform must include a comprehensive job creation and workforce development strategy leading to real jobs with decent wages, health care, and child care for all unemployed persons, including those on welfare who can work. Low income and poor women must have health coverage and good quality child care for their children in order to work. A safety net of last resort cash assistance must be preserved for children whose mothers cannot find jobs.

#### **Work Requirements and Time Limits**

As working men and women, AFSCME members value work and are proud to serve the public. They keep our communities running. They clean the streets, pick up garbage, drive school buses, serve school lunches, organize recreation programs, maintain public parks, process unemployment claims, counsel job seekers, care for the sick and disabled, and more.

A welfare system centered on work is fully consistent with our members' values. But a work program which, in effect, devalues work and destroys jobs is not.

The vision of work in the Personal Responsibility Act (PRA) is at once too limited and too extreme. On the one hand, it fails to recognize the complex factors which cause many families to seek last resort cash assistance and lacks any real job creation strategies. On the other hand, it forces states to implement a workfare program of unprecedented magnitude.

Low income and poor women seek cash assistance for their families for many reasons. A very small percentage enter the welfare system and remain continuously for five years or more. Many of them live unstable lives in

communities with very high unemployment. Some mothers function at marginal levels which are not severe enough to qualify them for disability benefits.

The vast majority of welfare recipients leave within two years, but half of those return within two years. The reasons include low educational and skill levels; declining wages at the bottom of the economic ladder; a shift from higher paying, more stable manufacturing jobs to lower paying, less stable service sector jobs; a lack of job opportunities in areas of chronically high unemployment; and, more recently, the transfer of government functions to private contractors who pay their workers minimum wages and no benefits.

These economic forces, combined with constricting state eligibility rules in the unemployment insurance program, have substantially reduced jobless protection through the unemployment program in ways that disproportionately hurt women in unstable, low paying jobs and single mothers. As a result, many low wage women workers use AFDC as a substitute for the unemployment insurance program.

A March, 1994 report entitled Income Insecurity: The Failure of Unemployment Insurance to Reach Working AFDC Mothers, issued by the Institute for Women's Policy Research (IWPR), documented this relationship between welfare, work and unemployment insurance. It found that women on AFDC during the two-year study period who did not receive UI benefits exhibited just as much work effort as AFDC mothers who did receive UI. In addition, those who received UI benefits were more likely to live in states where the UI system covered more of the unemployed and had fewer months on AFDC.

These facts indicate that a lifetime limit on AFDC payments and a 35 hour per week workfare requirement do not reflect the real-life experiences of many welfare recipients. They unfairly ignore the substantial work effort of these women and the instability and inadequacy of the low wage labor market.

Emphasizing work ahead of education and training and imposing a 35 hour per week workfare requirement for welfare benefits also is ill-advised. Welfare recipients who, in fact, are unemployed workers need jobless protection and education and training, instead of work experience. In other cases, such a strategy will cut children off welfare if their mothers are not able to meet a requirement for sustained full-time work because of personal handicaps, grinding poverty which deprives the mother and her family of the stability to support sustained full-time work, or a lack of child care.

Clearly, we must make every effort to help welfare recipients get private sector jobs, but what happens if they can't get jobs because they lack skills, they don't get effective job search assistance, or no suitable jobs exist?

The lack of decent job opportunities is very real in poor communities. For example:

- \* New York City lost 500,000 jobs between 1987 and 1992 while generating only about 35,000 between the beginning of 1993 and April, 1994. The labor market was so constricted during 1992 and 1993 that 26 percent of those who exhausted their unemployment benefits (both regular and emergency) received public assistance within a year, according to a survey of unemployment insurance claimants by the New York State Department of Labor. Furthermore, according to a survey by Philip Harvey, a visiting scholar at the Russell Sage Foundation, the number of people looking for a job in New York City exceeds the number of jobs by at least 7 to 1. (Newsday, December 11, 1994)
- \* In New York City's Parks Department the rate of full-time, permanent job placements in a selective program for 236 people was only 16 percent. (Newsday, December 11, 1994)
- \* According to the Employment and Training Institute and Social Science Research Facility, University of Wisconsin-Milwaukee, in the week of May 23, 1994:
  - the 16,790 full-time job openings available in the Milwaukee metropolitan area represented about one-third of the jobs required for the 54,400 to 56,500 persons seeking or expected to work, including unemployed workers and AFDC and food stamp recipients considered able to work. Full-and part-time job openings totaled 30,635 openings or 56 percent of the jobs needed for the Milwaukee metropolitan population expected to work.
  - in the Community Development Block Grant neighborhoods of Milwaukee, there were approximately 8 unemployed workers for every job opening, while the number of job seekers and job openings was much more balanced in the rest of the metro area.

The PRA's answer is for the states to spend enormous amounts of time, effort and resources to set up and run a massive public sector workfare program for 1.5 million welfare recipients, the vast majority of whom need and want the opportunity to train for higher skilled employment and good jobs instead of real jobs.

Workfare slots are not real jobs. Under workfare, women receiving welfare benefits would have to work 35 hours a week without any employment rights in order to receive an AFDC grant which in the typical state is equivalent to about \$2.42 an hour for a family of three and in Mississippi, the lowest benefit state, would be \$.79 per hour.

We have no recent experience with creating such a large work program. The largest public sector work program was the Comprehensive Employment and Training Act (CETA), which enrolled 739,000 people at its peak. At the time,

approximately 1 out of every 20 state and local government workers was supported by CETA, and in some jurisdictions the ratio was as high as 1 to 6. CETA built on existing government personnel structures and employed people with a wide variety of skills in a wide variety of jobs. In contrast, the PRA requires placing twice as many people, mostly in low skilled work.

It will be impossible to operate such a massive workfare program without destroying decent paying lower skilled jobs in the public sector and contributing to a further decline in wages and benefits. Over time, local government officials can be expected to replace good paying jobs with "workfare" workers thereby reducing the number of good jobs available to lower skilled workers. Studies of the Comprehensive Employment and Training Act (CETA) documented the substitution effects of running a work program over an extended period of time. In addition, the presence of a large pool of virtually unpaid labor will depress wages and benefits for other workers.

AFSCME has extensive experience with displacement problems presented by local work programs. For example, in 1985, the union won an arbitration case in which it claimed that the state of Pennsylvania had assigned approximately 1,000 workfare participants to perform such necessary functions as filling potholes, opening mail, and processing AFDC case files, functions that would have been performed by state employees in the absence of the workfare participants.

However, employers usually have prevailed in displacement challenges. For example, in a 1986 court case in Lackawanna, New York involving 26 laid off employees, a judge rejected the union's claims of substitution even though one of the employees could not find work, eventually went on welfare and was assigned to work off his grant doing the same work he had performed as a city worker for three years.

The PRA would compound the substitution danger presented by any large-scale program by repealing a current law provision which prohibits the filling of unfilled vacancies. This action means employers could fill unfilled job vacancies with women working off their welfare benefits. City agencies in New York estimate job openings due to turnover to be between 100,000 to 150,000 a year. In theory, every one of those real jobs could be transformed in workfare assignments (although the reality is that many may not be low skilled jobs.) Other incentives to local government employers to replace paid workers with unpaid welfare workers also are present in the nutrition block grant provisions.

The implications of permitting the filling of unfilled vacancies are profound. In effect, such a policy endorses actions by state and local governments to shift the cost of local government services to the federal government by assigning workfare participants to existing job vacancies instead of hiring unemployed workers. Employers are more likely to rely on mothers working off their welfare benefits than hiring other low-skilled workers because there are virtually no labor costs for them. New jobs will not be created, employment opportunities will not expand, and resentment against the welfare system will intensify.

### **AFSCME'S Welfare Work Principles**

A real welfare reform strategy would support and reward work by providing both training and job opportunities so that unskilled workers can move up the economic ladder. In our vision, a real welfare-to-work strategy must be a more comprehensive one which can deter participation in welfare by reversing declining wages and benefits, providing education and training opportunities, protecting and expanding real job opportunities, and rewarding work with a decent standard of living. Specifically we recommend:

1. **Individuals who work should be able to earn income support while they look or train for a new job or career when they lose a job.**

State unemployment insurance laws should be modified to reduce minimum earnings requirements and disqualification rules which deny unemployment benefits to women who leave work for a variety of work/family-related reasons or who cannot find stable decent paying jobs. Lifetime limits under AFDC should be rejected so that individuals can earn credit and income protection for the time they work.

2. **All workers should earn a living wage.**

There is dignity in all work, and low skilled workers ought to be paid enough to support their families. The current minimum wage is \$3,000 less than the income required to raise a family of three to the poverty level. It should be raised to a living wage.

In Baltimore last year, AFSCME and BUILD, a church-based organization, worked together to secure a living wage for all workers of city contractors. On July 1, 1995, these men and women who work in the most menial jobs in the city at between \$4.26 - \$5.00 an hour with no benefits will see their wages rise to \$6.10 per hour and eventually to \$7.70 per hour. As a result, we expect a reduction in the need for government assistance to supplement the wages paid by low wage employers through cash assistance, housing, medical and nutrition programs and the Earned Income Tax Credit.

All individuals should have the same education and training opportunities. Federal education, training and labor market services should be reorganized into an integrated system of job development, job placement, and education and training to provide high quality services to unemployed and low-skilled workers without regard to what program of income support they receive. Welfare recipients should not be segregated into separate education and training programs and restricted to training for low-wage jobs, low-skilled jobs.

3. **In meeting any federal participation rules, states should have flexibility to establish a variety of work and non-work activities provided there is a minimum wage floor for all work activities.**

Given the diverse skill levels and work experience of individuals on welfare, states should be permitted an array of work options including shortterm internships or training positions of no more than three months, wage subsidies, and sheltered workshops. In addition, work activities should not be the only way to demonstrate responsibility. Parenting classes, participation in school, and a variety of other non-work options should be permitted.

Instead of rigid and unrealistically high participation rules, the number and type of such work activities should be based on the needs of individuals, the condition of local labor markets, and the capacity of employers to absorb additional workers without displacing real jobs. Aggressive job creation efforts must accompany work participation goals in communities with high unemployment.

4. **Jobs for working people should not be converted into unpaid welfare work activities, and locally established wages, benefits, and labor-management relationships should not be diminished through federal or state policies.**

Welfare recipients who work like any other workers should enjoy the same wages, rights and benefits. Simple fairness calls for parity with other workers if there is virtually no difference in the work they do. In addition, to the extent that displacement occurs, equal pay and benefit protections will help ensure that the federal program will not replace paying jobs with unpaid workers.

Federal policy should be very clear in establishing the responsibility of employers not to displace working people and their jobs and should establish effective procedures to enforce them. At a minimum, current law protections must be retained in any welfare reform legislation adopted by Congress.

5. **Local unions should be regarded as a positive partners in "reinvesting" local work programs.**

Welfare work programs will affect the economic security and future of existing workers. They should have a voice in reinvesting these programs. Local unions can help organize local work projects and activities which do not jeopardize real jobs and which provide training an upward mobility for welfare recipients. The principle of involving local unions in designing, approving and implementing local work programs is an important ingredient to their success. AFSCME has developed effective working relationships with program administrators when they are reasonable and willing to ensure that existing jobs are not at risk in such places as Westchester, New York and Minnesota.

6. **States should have the flexibility and resources to implement programs and policies which make work more rewarding than welfare.**

One of the tragic fallacies of the current debate is that welfare recipients are viewed as people who are different from working people. Designing a fair welfare prevention strategy requires a recognition that low wage workers need the same child care and health care as women leaving welfare for work. Government policies should ensure that child care and health care is available to all low income families in training or work on the basis of a sliding fee schedule. In addition, states should be able to modify their welfare programs to permit mothers to earn their way off welfare and out of poverty by keeping a declining portion of their cash assistance as their earning increase.

7. **Local welfare offices must be redirected away from their almost exclusive focus on processing benefits and toward more work-oriented goals.**

Federal and state policies which require an almost exclusive focus on functions related to paying benefit checks must be modified to put more emphasis and resources on intensive case management, education, training and work. The issue is not whether government or the private sector can do a better job. In fact, local welfare offices did exactly what government policymakers wanted them to do in the early 1980s. They reoriented their efforts away from their historical social work mission and concentrated on verifying eligibility and finding fraud. The need for a better balance between these two missions is clear now.

Reorienting the welfare system to emphasize work employment opportunities requires clear federal direction to strengthen and integrate more fully the nation's welfare, education, training and labor market systems. An integrated system serving all job seekers will help remove the welfare stigma which puts recipients at a disadvantage when they look for work.

### **Block Grants**

The PRA gives state's the option to receive a state block grant instead of continuing in the current AFDC program. It would freeze the amount of money a state would receive from the federal government at 103 percent of the amount they received in 1994. The grant would not grow from one year to the next to accommodate economic fluctuations, changes in wealth, or population. States would have more flexibility to tailor the program to their specific needs, but would have to do so with significantly less money.

Discussions are under way to convert the entire AFDC program to a block grant. Our Public Policy Department predicts that, if the next five years are like the past five, states could lose at least \$20 billion for poor families they otherwise would have received in federal aid. The hardest hit states would be Texas, California, Florida, Arizona, New York, Washington and Pennsylvania. Only three

states - Michigan, Wisconsin and Louisiana - would not lose funds under the block grant proposal. If the next five years look anything like the last five years, states' need for federal aid to mitigate the effects of economic slowdowns will recur, but the amount of federal aid would remain unchanged from the 1994 level.

Even with the current AFDC program in place over the last five years, states had to raise taxes by some \$36.2 billion just to deal with the recession-related problems they faced. If they had received no increases in federal AFDC payments those tax increases might have been an additional \$10.4 billion.

States will need more federal aid for AFDC in upcoming years, since most state economies were extremely strong in 1994. The unemployment rate (which is widely assumed to be at or near its lowest point nationally), inflation (which is at historically low levels), and population will certainly increase over the next few years. Freezing AFDC at 1994 levels ignores the likelihood that most state economies will not be doing as well in the future as they are doing today.

States that experience economic slowdowns relative to their 1994 performance would be particularly hard hit by this proposal. This is because they would be tied to a grant level awarded during an economic recovery, which would not be adequate to provide sufficient assistance during a recession. If the size of the grant does not grow, it will never meet the needs of future recessions.

The block grant proposal would abandon a 30 year-old effort to create an efficient and highly sensitive method for sharing resources between rich and poor people and states. States that become poorer relative to other states through recessions and other cyclical changes would be hurt the most. For example, many southern states historically have been poorer than the national average, and the federal government has played an important role in providing them extra federal payments to help them progress. The AFDC program has been an important part of this strategy. Thus, Mississippi receives a federal match of nearly 80 cents on the dollar and Georgia receives more than 60 cents (while Massachusetts, a wealthy state, receives the minimum amount of 50 cents).

In any given year, individual states may experience difficult times. For example, in the mid-1980s Texas and other energy-rich states faced severe fiscal distress. More recently, the northeastern U.S. and California remained in an economic downturn long after the rest of the country emerged from the 1991 recession.

The current AFDC program effectively addresses this problem by adjusting annually for changes in a state's relative wealth. When the Texas economy hit hard times, its federal match rate increased (from 54 percent in 1985 to 64 percent in 1992). If AFDC were to become a block grant, the unique ability of the federal government to perform this function will be lost.

If AFDC becomes a block grant, recessions will be deeper, last longer, and do more long-lasting damage to their victims. As the number of poor people grow, as workers lose jobs, and employment opportunities disappear, states will face three choices: seek more funds from the federal government, raise taxes, or



reduce benefits. Of these three options, only the last seems likely. Given the fact that many block-granting proponents view AFDC as a key component in their strategy to cut federal spending, the first choice seems highly problematic. The second is likely to be unpopular and may even be bad fiscal policy at the state level since the states cannot run budget deficits which have a countercyclical effect in the same manner as the federal government.

The easiest option would be to reduce benefits or create waiting lists in which newly unemployed workers may very well be at the end of the line. Thus, the program would lose its crucial ability to act as an economic stabilizer.

Providing increased federal aid to states during recessions is an efficient, effective, and appropriate role for the federal government. Automatically linking the aid to AFDC caseload sizes that result from relative economic conditions assures that the aid goes to the states and individuals that need it most at any given time.

### Conclusion

The AFDC program is based on several important principles. First, as a society, it is in our national interest, economically and morally, to protect children from the ravages of poverty and ensure them the opportunity to grow and thrive. Second, in a large and wealthy nation, the federal government is the most appropriate instrument for more fortunate states and individuals to help out less well-off states and individuals, recognizing that over time their relative positions will change. Third, the federal government plays a unique fiscal role in managing the national economy with programs such as AFDC acting as important economic stabilizers nationwide and within individual states and regions.

Clearly, the welfare system needs reform through greater simplification and flexibility with more emphasis placed on moving recipients into jobs, but AFSCME believes that these basic principles are still valid. Abandoning them by moving to block grants, turning our backs on certain classes of children, or creating "welfare work" which can destroy real jobs is not real welfare reform. It will not make any of the problems go away.

The costs to society of this strategy will be high: declining tax revenue, deeper poverty, inadequate medical care, inadequate time for parents to supervise and care for children properly, and ultimately, increased hunger and hopelessness for poor women and their children if the federal and state governments look the other way and hope for best from the private market place.

Mr. ENGLISH. Thank you for your testimony.  
The Chair recognizes Ron Field.

**STATEMENT OF RONALD H. FIELD, SENIOR VICE PRESIDENT  
FOR PUBLIC POLICY, FAMILY SERVICE AMERICA, INC.**

Mr. FIELD. Mr. Chairman and Members of the Subcommittee, I want to thank you for giving us the opportunity to testify on this very important issue.

FSA, Family Service America, and its nonprofit member child and family service agencies is an 84-year-old network of community-based family counseling and support services throughout North America and serves over 4 million people annually in over 1,000 communities.

Our positions, therefore, on this subject are not so much ideological as they are based on a long history of serving poor and troubled families. We clearly agree that the welfare system is broken and needs to be reformed to provide families with the kind of service structure that will help them rise out of poverty, to attain true self-sufficiency and a better way of life.

What that means is that real welfare reform must attend to the health care, child care, training and employment needs of the families AFDC was designed to support and protect. True welfare reform will result in a contract between recipients and the system in which welfare recipients participate in necessary education and training and employment programs necessary to find and keep employment and leave welfare, for which in return they are provided essential support services they need, such as health care and child care, to ensure that they are able to stay off welfare.

Research shows that over 70 percent of all welfare families find their own way off the welfare rolls within 2 years. Unfortunately, about half that number return to the welfare rolls for two main reasons: The low-paying jobs they were able to get did not provide health care benefits and they could not afford medical care when they or their child were sick, and the availability of decent child care was either not available or not affordable.

To overcome this dilemma and eliminate the need for extended welfare support, four key policy considerations must be addressed, income-related, not time-limited health care coverage, perhaps through Medicaid, that extends to low-income families after they leave the welfare rolls, especially if their employer does not provide it as a benefit; developmentally appropriate child care that is also not time limited, but income related, before and after placement, employment and training information and counseling services that help people in transition to work, seek and obtain appropriate goal directed education, training and apprenticeship that lead to a job with a future and continued self-improvement and, last but not least, employment policies and community development programs that make it probable for people moving off of welfare to be absorbed by the economy in family supporting jobs. It is highly questionable whether the economy is currently in the position to do so to any great extent.

Other such important corrections also have to deal with the elimination of AFDC work disincentives and family separation policies. And to better assure a single parent's ability to get a foot up

on the ladder, there needs to be greater increased emphasis on child support responsibilities by the absent parent.

Beyond the system reform, it is important to acknowledge that many welfare families face numerous noneconomic conditions and circumstances that must be addressed, if there is to be any reasonable expectation for their success. A widely recognized component of success transition from welfare dependency to self-sufficiency is ongoing case management and community-based professional support services to help overcome problems related to employability, family finances, eldercare, family violence, substance abuse and other services and other barriers. In other words, true success will come by dealing with the human problems that go beyond mere institutional remedies.

FSA shares the concern about the high incidence of teen and unwed births that is a crisis for this Nation. Many of our agencies have projects that serve this very population. We believe the Federal Government, as well as the private sector and our communities, must make a concerted effort to find constructive ways to reverse the trend, especially since families of teen parents are at the greatest risk of long-term poverty and welfare dependency.

However, there are many reasons teenagers become parents, and no evidence to indicate that cutting off teen parents will have any great effect on the incidence of teenage pregnancy. Instead, as part of their contract, teen parents should be required to participate in school and employment and parenting skills training, provided that support services such as case management and accessible child care are available to enable full participation.

Mr. ENGLISH. Mr. Field, if you could wrap up and insert the rest for the record.

Mr. FIELD. I will. Thank you very much.

Data just released shows that fully one-fourth of the children in the United States live in poverty. This shameful statistic proves that we have a national state of emergency to which the Federal Government must respond. To ignore such a statistic only invites more despair, more hopelessness and, therefore, more crime and community breakdown, because we are creating a population segment who feels no connection to the so-called mainstream and no hope of ever getting close to the American dream.

Thank you.

[The prepared statement follows:]

**TESTIMONY OF RONALD H. FIELD  
FAMILY SERVICE AMERICA, INC.**

Good morning, Mr. Chairman and members of the Subcommittee on Human Resources. On behalf of Family Service America, Inc., I would like to thank you for giving us the opportunity to testify on this very important issue of welfare reform.

Founded in 1911, Family Service America is an international organization dedicated to strengthening families through services, education, information and advocacy. FSA and its nonprofit member child and family service agencies constitute the oldest and largest network of community-based family counseling and support services in North America, serving more than four million people annually in over 1,000 communities with 11,000 professionals and 10,000 volunteers.

FSA believes that the welfare system is broken and needs to be reformed to provide families with the kind of service structure that will help them rise out of poverty to attain true self-sufficiency and a better quality of life. What that means is that real welfare reform must attend to the health care, child care, training, and employment needs of the families AFDC was designed to support and protect. True welfare reform will result in a contract between recipients and the system, in which welfare recipients participate in necessary education and training and job search programs necessary to find and keep employment and leave welfare, and in return they are provided the essential support services they need, such as health care and child care, to ensure that they are able to stay off welfare. We believe that a move by Congress to simply shunt responsibility for the well-being of millions of children and families back to the States, or one that punishes children for their poverty and the situation of their birth, is not real welfare reform and will not give families the boost they need to permanently leave welfare.

Real Welfare Reform

Research shows that over 70 percent of all welfare families find their own way off of the welfare roles within two years. Unfortunately, about half of that number return to the welfare roles for two main reasons: the low-paying jobs they were able to get did not provide a health care benefit and they could not afford medical care when they or their child was sick, and the availability of decent child care was either not available or not affordable.

To overcome this dilemma and eliminate the need for extended welfare support, four key policy considerations must be addressed: (1) income-related, not time-limited, health care coverage (perhaps through Medicaid) that extends to low-income families after they leave the welfare roles, if their employer does not provide it as a benefit of their employment; (2) developmentally appropriate child care that also is not time-limited but income-related; (3) before- and after-placement employment and training information and counseling services that help people in transition from welfare to work seek and obtain appropriate, goal-directed education, training, and apprenticeship that leads to jobs with a future and continued self-improvement; and last but not least (4) employment policies and community development programs that make it probable for people moving out of welfare to be absorbed by the economy in family-supporting jobs. It is questionable whether the economy is currently in a position to do so to any great extent with over 5 percent unemployment and economists and monetary policy makers saying that that represents the current definition of full employment.

Health care, child care, honest job-related education and training, and effective, informative job seeking assistance for family-supporting jobs are absolutely necessary for real welfare reform, as is the elimination of AFDC work disincentives and family separation policies. And to better assure a single parent's ability to get a foot up on the ladder, there needs to be a greatly increased emphasis on child support responsibilities by the absent parent.

Beyond the systemic reforms, it is important to acknowledge that many welfare families face

numerous non-economic conditions and circumstances that must be addressed, if there is to be any reasonable expectation for their success. A widely recognized component of successful transition from welfare dependency to self-sufficiency is ongoing case management and community-based professional support services to help families overcome problems related to employability, family finances, elder care, family violence, substance abuse, and other barriers. In other words, true success will come by dealing with the human problems that go beyond mere institutional remedies.

While we agree that the welfare system is broken, we believe it needs to be fixed in a way that leads people to true self-sufficiency and not more bitterness and despair. Fixing it correctly can result in stronger families and communities and a hopeful future for their children, while ultimately saving money for governments and taxpayers. Political quick-fixes can result in more damage to already damaged lives, another generation of lost children, and still higher social and governmental costs.

### Concerns

Having outlined what FSA believes is vital for welfare reform to be effective, I would like to now comment on some of the proposals currently being considered by the Subcommittee. FSA's greatest concern is with proposals in the Personal Responsibility Act that would eliminate eligibility for millions of children currently receiving AFDC benefits. The Personal Responsibility Act would exclude not only children of unwed teen mothers, but also children who have received aid for an accumulated 60 months, children whose paternity has not been established by the state, and children born to an AFDC recipient or to an individual who received AFDC at any time in the 10 months prior to the birth.

When all of these provisions are combined, more than 5 million children could find themselves suddenly ineligible for AFDC assistance. We believe the consequences of these provisions would lead to increased foster care, homelessness, family break up, and drastically increased child poverty and neglect. Although many states have already begun to implement waivers for welfare reform efforts, and others have applied for such waivers, no state has attempted to implement provisions that would cut so many children out of the system. By eliminating federal assistance to these children, states and localities will be left to find emergency support for these children in their already tight budgets. Although proponents of such provisions argue that children excluded from AFDC assistance would continue to be eligible for Food Stamps and other aid, but with current plans to block grant food programs and eliminate the entitlement for Food Stamps there is no guarantee that Food Stamps will be available to a child who has been abandoned by the welfare system.

FSA agrees that the high incidence of teen and unwed births is a great crisis for this nation, as it is for many industrial nations. We believe the federal government, as well as the private sector and our communities, must make a concerted effort to find constructive ways to reverse this trend, especially since families of teen parents are at the greatest risk of long term poverty and welfare dependency. However, there are many reasons for teenagers choosing to become parents, and we do not believe that eliminating AFDC to teen parents will have any great effect on the incidence of teenage pregnancy. We therefore oppose any provision that would punish children for their parentage by eliminating aid to the children of teen parents. Instead, as part of their contract, teen parents should be required to participate in school and employment and parenting skills training, provided that support services such as case management and accessible child care are available to enable full participation. Welfare programs should not turn their backs on the population at highest risk of long term poverty, but enable them to achieve long-term economic and family stability and well-being.

FSA opposes the 60 month cumulative time limit which would cut off aid to a family that has received a total of 5 years of aid with no exceptions. FSA is especially concerned with this proposal because it could wind up punishing families who have fully complied with a work program and have done everything within their power to leave AFDC and find steady work, but have been unsuccessful. A federal program to help families should not punish families because of

a bad job market.

This provision, too, would leave states with an additional burden, especially for low-skilled workers. In a bad economy, over which the states have little control, families who have reached their time limit would fall to state services if they are unable to find any job to support their families, but are ineligible for welfare assistance because of an absolute time limit.

#### Abandoning Federal Responsibility

FSA does support state flexibility for welfare reform. States are in the best position to find innovative programs that suit their own population and their own economies. States and communities have different needs. *Because one size does not necessarily fit all*, states and localities need to be given the flexibility to tailor welfare programs that best serve their communities and people.

However, we also believe that in granting flexibility, the federal government cannot abandon all federal responsibility. The federal government does have a responsibility for the well-being of the nation's people. They must assure some parameters of protection to families and guidance to states in the implementation of federal programs that serve families and children. In providing federal monies for AFDC, we must also provide federal standards that assure a minimum safety net that protects children from destitution and prevents unnecessary family break-up, that provides families in economic difficulty with the necessary supportive mechanisms that help them leave welfare and poverty and achieve self-sufficiency - be it through education and training, job counseling, job creation, health care, child care, and other support services. Instead of wasting money on a broken and defeating welfare system, government should use its resources to effectively invest in people's futures. Surely the return on investment would be much improved.

#### Conclusion

Data just released shows that fully one-fourth of the children in this nation are in poverty. This shameful statistic proves that we have a national state of emergency to which the federal government must respond. To ignore such a statistic only invites more despair and hopelessness, and therefore crime, because we are creating a population segment who feels no connection to the so-called mainstream, and no hope of ever getting close to "the American dream." As a nation, we can not afford to balance the federal budget on the backs of families and children. The poverty rate shows that; the crime rate shows that. No reformed federal welfare program should leave families and children worse off than they already are.

Mr. ENGLISH. Thank you, Mr. Field.  
The Chair will recognize Carol Romero for testimony.

**STATEMENT OF ANTHONY P. CARNEVALE, CHAIRMAN,  
NATIONAL COMMISSION FOR EMPLOYMENT POLICY, AS  
PRESENTED BY CAROL J. ROMERO, PH.D., SENIOR  
ECONOMIST, NATIONAL COMMISSION FOR EMPLOYMENT  
POLICY**

Ms. ROMERO. Good afternoon, Mr. Chairman and Members of the Subcommittee.

My name is Dr. Carol Romero. I am a senior economist on the staff of the National Commission for Employment Policy. On behalf of the commission's chairman, Anthony Carnevale, who is out of town this week, I am pleased to submit his statement for the record on the role of employment and training programs in assisting women move from welfare to work.

As you know, the commission is an independent Federal Government agency authorized under title IV of JTPA, the Job Training Partnership Act. The commission is charged with advising the Congress and the administration on matters affecting the employment of Americans, including ways to improve the effectiveness of all employment and training programs and policies.

The commission has undertaken a great deal of research on the effectiveness of JTPA programs in assisting economically disadvantaged youth and adults and specifically women on welfare. Our research indicates employment and training programs can help AFDC recipients, especially those who are of prime working age between the ages roughly of 20 to 39.

I am aware that serious consideration is being given to block grants in AFDC to States and then permitting States to do what works best in their areas. For precisely that reason, my statement has important implications at the Federal level.

First, based on our research on JTPA and other employment and training programs, proposals to reform AFDC should be closely tied to proposals to reform and consolidate the Federal Government's job training system. There should be one bureaucracy, not two or more.

Further, the more successful training programs have several elements in common: One, decentralization; two, participation in training programs is voluntary for people; three, the programs are outcome oriented. Training is undertaken not for itself, but for a job at the end. Placing people in jobs is a primary objective.

Of course, this means that for the programs to be effective, it is imperative that the national economy and local ones, as well, be healthy. Community work experience, CWEP, is an alternative to private sector jobs. Under CWEP, AFDC recipients work for a private sector organization in return for their welfare benefits. Rather than being viewed as a form of work relief, CWEP is generally seen as a program to prepare AFDC recipients to move into unsubsidized employment.

From the perspective of welfare reform, however, a major problem with CWEP currently is that States and localities do not maintain data in a way that would allow an assessment of how often

participants move into regular employment, much less of how much of that employment can be attributed to their CWEP experience.

This leads to my final point. The fourth common element in more successful programs is that program staff have clear measurable outcome oriented goals that they are to meet, and at the national level there is accountability in how the money is spent.

Thank you.

[The prepared statement of Anthony P. Carnevale follows:]



**STATEMENT OF DR. ANTHONY P. CARNEVALE  
CHAIR  
NATIONAL COMMISSION FOR EMPLOYMENT POLICY**

On behalf of the National Commission for Employment Policy (NCEP), I am pleased to submit this statement on the role of employment and training programs in assisting women to move from welfare to work

I currently serve as Chairman of the Commission, an independent agency authorized under Title IV(f) of the Job Training Partnership Act of 1982. The Commission consists of fifteen members who are appointed by the President and serve in a voluntary capacity. They are drawn from business, labor, education, community-based organizations, as well as state and local governments

The Commission is charged with advising the Congress and the Administration on matters affecting the employment of Americans. While our charge is broader than employment and training policies, we are specifically mandated to "identify the employment goals and needs of the Nation and assess the extent to which . . . current policies and programs . . . represent a consistent, coordinated, and integrated approach to meeting such needs and achieving such goals."

My statement is divided into three major parts. This first section provides a brief overview of the characteristics of the population on Aid to Families with Dependent Children (AFDC).

The second section summarizes other organizations' research findings on "what works" in term of increasing AFDC recipients' likelihood of employment and also in terms of increasing their earnings. These findings are presented in order to explain gaps in knowledge that the Commission identified and subsequently sought to fill in its own research agenda.

Section III presents findings from the Commission's research on the effectiveness of JTPA programs in increasing the employment and earnings of participants

My conclusions are given in the final section.

### **I. DIVERSITY OF WOMEN WITHIN THE AFDC POPULATION**

Before discussing the role of employment and training programs in moving AFDC recipients off welfare, I will present some information on the characteristics of these women. My purpose in presenting these figures is to indicate the diversity within the AFDC population -- a diversity that may undermine arguments in favor of a single solution to the welfare problem

Unfortunately, there is no one, solid database on AFDC recipients from which all the information relevant to deliberations on welfare reform can be gathered.<sup>1</sup> Clearly, this lack of complete information makes discussing the reform of welfare difficult, since effective solutions require accurate problem diagnosis. Notwithstanding some data imprecision, we can make some general observations about the welfare population overall.

First, it is well known that AFDC recipients remain on welfare for varying lengths of time. Some require welfare assistance only for a few months or perhaps a year in response to a particular emergency in their lives. Some move on and off AFDC throughout their lives. Still others remain on welfare for years. It is also well known that the AFDC population, at any point in time, is dominated by these long-term recipients.

Second, at any one point in time, about 80 percent of welfare recipients are between the ages of 20

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<sup>1</sup>For example, states collect data on their AFDC caseloads which is provided to the federal government. While these data are for the total population of AFDC recipients, there is little detail on their characteristics and life circumstances. Also, every March the Current Population Survey (CPS) collects information that permits identifying persons who received benefits during the preceding calendar year. While the CPS also contains detail on the characteristics of these AFDC recipients, there is evidence that the number of such individuals is under-reported, especially those who received benefits for only a portion of the year.

Another data source, cited in this statement, is the National Longitudinal Survey of Youth (NLSY). Approximately 10,000 civilian young men and women were first interviewed in 1979 (at ages 14 to 22) and have been reinterviewed every year through 1992. This data source contains a rich amount of information on the young people's family and work experiences.

and 39.<sup>2</sup> While the exact figure may fluctuate somewhat over time, its relative size is important for two reasons.

- o Concentrating program efforts on individuals within this age group would go far towards reducing the total number of women on welfare
- o People between the ages of 20 and 39 are considered to be of "prime working age," and consequently have the potential for making an easier transition into the job market than the older or younger groups

#### **Prime-Age Women**

Fortunately, there are detailed data on this segment of the welfare population.<sup>3</sup> Roughly 20 percent are on AFDC under two years, I will call them "short-term" stayers. Over 70 percent are on AFDC four years or more. This latter group, the "long-term" stayers, are a primary target of current welfare reform efforts.

How well prepared is this group of women to enter the labor force successfully? Compared to short-term stayers, those on AFDC four years or more --

- o are much more likely to have been school dropouts when they entered AFDC (50 percent compared to 30 percent);
- o are somewhat more likely to have had a low score on the Armed Services Qualifying Test (39 percent scored in the tenth percentile compared to 32 percent among the short-term stayers)<sup>4</sup>;
- o are far less likely to have worked prior to enrolling in AFDC (43 percent compared to 21 percent), and
- o if they had work experience, averaged only 79 weeks of employment compared to 253 weeks for the short-term stayers

These data suggest several points. First, a sizeable percentage of the long-term stayers have educational deficits, as indicated by their lack of a high school diploma and their low AFQT scores. Certainly, for some of these women, receipt of education and training would enable them to earn enough, by themselves, to be able to leave the welfare rolls. In contrast, it is also likely that many others have such severe learning disabilities that it would be virtually impossible for them to ever earn enough, by themselves, to leave welfare, no matter how hard or how much they work.

This raises a related point, also derived from the figures above. Some women who are on welfare also work, either part-time or part-year -- a group that is nearly indistinguishable from those we classify as "the working poor." Indeed, for this group, the phrase "from welfare to work" is inappropriate.

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<sup>2</sup> In 1991 the age distribution of AFDC recipients was:	
Under 20 years	8.1 percent
20 to 24 years	23.4 percent
25 to 29 years	23.8 percent
30 to 39 years	32.6 percent and
40 years and over	12.1 percent

Source: U.S. House of Representatives, Committee on Ways and Means, 1993 Green Book, p. 697.

<sup>3</sup>Data are from the National Longitudinal Survey of Youth, the women were ages 26 to 33 in 1991 and the number of years they could potentially have been on welfare dates from 1978. The figures are cited in June E. O'Neill and Dave M. O'Neill, Lessons for Welfare Reform: An Analysis of the AFDC Caseload and Past Welfare to Work Programs, Research sponsored by the National Commission for Employment Policy, (forthcoming Spring 1995).

<sup>4</sup>The Armed Forces Qualifying Test (AFQT) has a long history as a reliable indicator of skills and has been used by the Armed Forces for years to determine eligibility for service.

At the same time, other women on welfare do not have a job, have never had one -- and I wish to repeat -- are of prime working age. It is this group that is most in need, not only of skills training, but also of job search assistance.

One final point about work experience before I move on. It is important to note that there are long-term economic payoffs to work. Should education and training programs be part of a welfare-reform package, it may not be necessary -- nor fiscally prudent -- to provide all women with all of the services they need to leave AFDC immediately upon program completion. A post-training period of transition should be expected. As the women work, they gain experience, and experience in turn will eventually result in pay increases. These later pay increases are what will enable women to "earn their way off" welfare.<sup>5</sup>

### Young Women

It is not just on moral grounds that the prevention of pregnancies should be a top priority for young women under the age of twenty, especially for young women who are unmarried. Data are very clear that teenagers who give birth out of wedlock are more likely to be on welfare for extended periods of time than those who do not give birth. For example, according to data from the National Longitudinal Surveys of Youth, women on AFDC four or more years (long-term stayers) were

- o younger at their first birth (58 percent were age 20 or younger, compared with 29 percent of the short-term stayers), and
- o more likely to have had their first birth out of wedlock (62 percent versus 45 percent).

Moreover, although our results are preliminary, it does not appear that skills training, by itself, is an effective strategy for this group of women. While this point is discussed in more detail later in the section on the Commission's research, it should be noted here that preliminary results from NCEP research also indicate that job placement from JTPA training programs does seem to "work," at least in terms of raising the likelihood that these young women will still be employed at least two years after they leave job training.

### Older Women

For older women (e.g., age forty and above), the emphasis on jobs in current welfare reform proposals may be problematic. Society may not feel it is morally acceptable for the government to change the "rules of the game" on them abruptly. Moreover, it should be noted that older AFDC recipients are more likely than younger women to leave welfare, regardless of the government's actions. These women's children are approaching age 18, at which time the women may no longer claim them as dependents for purposes of receiving AFDC. It may be partly for this reason, that the Commission's research has shown JTPA's employment and training programs tend to be more successful for this group.<sup>6</sup>

In sum, data from our own and other research underscore the point that AFDC recipients are not a monolithic group. Rather, differences in age, aptitude, work history, and life experience call for complex solutions to "the welfare problem."

The Commission has undertaken several research projects that pertain to the specific role of the effectiveness of employment and training programs in assisting women to leave AFDC. Prior to engaging in this work, we reviewed other research to identify gaps in knowledge that we could fill. Next I will briefly describe this research, and gaps in knowledge that we found, in order to provide background to our own approach and findings.

There are two primary sources of information on training programs for welfare recipients: the

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<sup>5</sup>O'Neill and O'Neill, (forthcoming), Carol J. Romero, JTPA Programs and Adult Women on Welfare: Using Training to Raise AFDC Recipients Above Welfare, Research Report Number 93-01, National Commission for Employment Policy, (June 1994)

<sup>6</sup>Romero, (June 1994)

"welfare-to-work" demonstration projects of the 1980s and the "national experiment" of programs funded under JTPA.<sup>7</sup>

## II. EVIDENCE ON THE EFFECTIVENESS OF EMPLOYMENT AND TRAINING PROGRAMS

### The Welfare to Work Demonstrations

The purpose of the welfare-to-work demonstrations was to learn the extent to which employment and training programs (a) increase the likelihood that AFDC recipients become employed, (b) increase their earnings, (c) decrease the number of women receiving AFDC, and (d) decrease the size of welfare payments.

The demonstrations for adult welfare recipients included the standard range of employment and training programs: basic/remedial education, skills training (both in a classroom setting and on-the-job), and job search assistance. At some sites, only one service was provided, such as job search assistance. At other sites, a series of services were provided sequentially in an open entry/open exit format. In addition, participation in the program was mandatory or voluntary, depending upon the site.

All of the demonstrations were conceived as experiments and applied the experimental methodology at program intake, individuals were randomly assigned either to a group that was to receive the services (the "treatment group") or to a group that was not to receive the services (the "control group"). The goal was to create two groups who were as similar as possible except that one received the treatment while the other did not.

The major advantage of this experimental approach is that it is possible to assess the effectiveness of the training programs independent of the characteristics of the individuals who participate in them. This is a key issue in program evaluations, since the effectiveness of a particular training program may be just as much the result of the characteristics and attitudes of the people who enroll in it, as it is the result of the training itself. This problem is technically termed "selectivity bias." For example, data may show that only well-educated individuals enroll in the training and it is the level of their prior education, rather than the actual training, that is associated with positive post-program outcomes.

For the most part, evaluations of these demonstrations indicate that there have been positive post-program outcomes for treatment group members. However, the size of the program impacts was not uniform across all the demonstrations.

From the 13 demonstrations with post-program outcomes reported by Gueron and Pauly in 1991, two general results emerged. One is that training efforts can increase women's earnings. The list below gives some of the largest differences in average annual earnings between treatment and control group members in the second post-program year for these 13 demonstrations. (A "+" sign indicates that the treatment group earned more than the control group.)

- + \$658 -- San Diego SWIM Project<sup>8</sup>
- + \$401 -- Baltimore Options Project
- + \$591 -- New Jersey On-the-Job Training Program

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<sup>7</sup>For a review of the vast majority of the welfare-to-work demonstrations, see Judith M. Gueron and Edward Pauly, From Welfare to Work, New York: Russell Sage Foundation, (1991). For findings from the National JTPA Experiment, see Abt Associates Inc., The National JTPA Study, Report prepared for the U.S. Department of Labor, Bethesda, Maryland: Abt Associates, (January 1994).

<sup>8</sup>Saturation Work Initiative Model

+ \$871 -- Maine On-the-Job Training Program<sup>9</sup>

A second general result appears to be that training efforts can reduce welfare payments. Below is a list of the average annual reduction in AFDC payments between the treatment and control group members in the second post-program year for the same welfare demonstrations just listed. (A "-" sign indicates that the reductions in AFDC payments were greater within the treatment group; a "+" sign indicates they were greater within the control group.)

- \$553 -- San Diego SWIM Project
- \$ 34 -- Baltimore Options Project
- \$238 -- New Jersey On-the-Job Training Program
- + \$ 29 -- Maine On-the-Job Training Program<sup>10</sup>

However, as the numbers above suggest, the welfare-to-work demonstrations produced only modest increases in women's earnings and only modest reductions in welfare benefits. Moreover, the demonstrations did not explain either the extent to which women who became employed, remained employed or the extent to which their earnings were sufficient to move them off welfare and/or above poverty.

### The National JTPA Experiment

Results on the effectiveness of programs funded under Title II of the Job Training Partnership Act (JTPA) are important in the context of welfare reform. As the government's major program for training economically disadvantaged youth and adults generally, it has trained over 120,000 adult AFDC recipients specifically on an annual basis. Further, at the local level, training programs funded under Job Opportunities and Basic Skills (JOBS) of the Family Support Act of 1988 often rely on the JTPA service providers.<sup>11</sup>

Prior to presenting findings on the effectiveness of JTPA, I want to note three particular aspects of the JTPA system that are important in the context of using training programs to assist women in leaving welfare.<sup>12</sup>

- o JTPA is an outcomes-oriented program. Training does not occur for its own sake; the ultimate goal is training for a job. Specifically, the U.S. Department of Labor (USDOL) establishes measures of performance and assigns numerical values to them (performance standards) for the system as a whole.<sup>13</sup>

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<sup>9</sup>Gueron and Pauly (1991) Table 1.1, pp. 15-20. These differences were statistically significant at the 10 percent level or higher.

<sup>10</sup>Gueron and Pauly (1991) Table 1.1, pp. 15-20. The differences for the SWIM Project and the New Jersey On-the-Job Training Program were statistically significant at the 10 percent level or higher.

<sup>11</sup>Unfortunately, there are no reliable data on the extent to which JTPA and JOBS programs are integrated at the local level.

<sup>12</sup>Additional information on JTPA is found in two reports from the Commission: Understanding Federal Employment and Training Programs, (January 1995) and Private Industry Councils: Examining Their Mission Under the Job Training Partnership Act, (March 1993).

<sup>13</sup>For example, for adults the performance goals include: employment in the thirteenth week following program termination, and for those who are employed, their weekly earnings. In the Program Years 1992-93, the specific standards were a 60 percent "follow-up" employment rate and weekly earnings of \$228 for adults and \$207 for welfare recipients. Recognizing that local areas differ in their ability to meet a single national standard, the USDOL has also developed a "performance standards adjustment model." This model may be used to raise or lower a locality's performance standard to take into account factors considered to be outside the control of local administrators, e.g., economic conditions such as the unemployment rate.

- o JTPA is decentralized. Decisions regarding program operations are made at the state and local levels.
- o JTPA is a voluntary program for participants and it is discretionary, i.e., applicants are accepted into the program at the discretion of service providers.

To evaluate the effectiveness of JTPA's Title II programs, in the late 1980s the U.S. Department of Labor undertook the National JTPA Experiment, using a methodology similar to that applied in the welfare-to-work demonstrations discussed above. The JTPA experiment was conducted at 16 sites across the nation, six of which provided useable data on the JTPA participants' receipt of welfare benefits. The findings given below are based on a 30-month follow-up period, dating from the time of the individual's enrollment.<sup>14</sup>

Overall results indicated that the training programs had positive and statistically significant impacts on the earnings of economically disadvantaged adult women (and adult men). In contrast, economically disadvantaged out-of-school male and female youth (ages 16 to 21) experienced no statistically significant earnings' gains.

Results also indicated that JTPA training had no impact on the AFDC recipients' receipt of benefits, measured in terms of the total amount of benefits they received during the 30-month follow-up period.

While this research on JTPA, and on welfare to work programs, have shown that employment and training programs can be effective in assisting economically disadvantaged women, and welfare recipients specifically, its findings are limited in several ways. I mentioned one earlier: the research has not indicated how many women remain employed nor how many left welfare.

More importantly, the research has not told us the "how" or the "why" training programs are effective (or ineffective). For example, is on-the-job training more effective than skills training in a classroom setting in moving women off welfare? And how effective is job search assistance by itself?

In terms of the "hows" and "whys," there is one particular limitation that should be highlighted: neither the welfare demonstrations nor the results from the JTPA experiment distinguished between participants whom service providers placed in jobs when they left the programs and those they did not place.<sup>15</sup> **NCEP research shows the importance of an obvious, but often overlooked, point: participants' placement into jobs -- as opposed to permitting them to flounder once their training is completed -- is critical to their long-term post-program success.**

### III. NCEP RESEARCH ON THE EFFECTIVENESS OF EMPLOYMENT AND TRAINING PROGRAMS

Before describing our results, I am going to digress for a moment to describe the database the NCEP uses and the approach that our research takes.

#### NCEP Database and Research Approach

The NCEP database is unique. It consists of the universe of JTPA participants in over 10 states and

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<sup>14</sup>Abt Associates Inc., (January 1994)

<sup>15</sup>Other limitations in the designs of these evaluations should be noted. For example, neither the welfare demonstrations nor the sites of the JTPA experiment are statistically representative of all sites nationally, which means we cannot generalize findings to the nation as a whole. Also, at various sites, sizeable percentages of control group members received employment and training services from sources other than the welfare-to-work programs or JTPA. Thus, findings on the effectiveness of programs are not based on true comparisons of "receipt of services" versus "no receipt of services." For more detail, see William R. Bowman, Evaluating JTPA Programs for Economically Disadvantaged Adults: A Case Study of Utah and General Findings, Research Report Number 92-02, National Commission for Employment Policy (June 1993); and Romero, (June 1994).

covers program terminées for Program Years 1986 through 1989.<sup>16</sup>

Two sets of information have been merged in this database. One part contains data on JTPA participants (their personal characteristics and JTPA activities). The second part contains data on the participants' quarterly earnings that are from the states' Unemployment Insurance (UI) wage records. The UI wage records are available for four quarters (one year) prior to their entry into JTPA and also for eight quarters (two years) after they have left the programs.

With this database, our research uses a "non-experimental" approach, which can be of two types. One uses statistical techniques to identify an external comparison group -- individuals who did not participate in training but for whom there is information in an already existing data file (such as registrants with the Employment Service).<sup>17</sup>

A second approach creates an internal reference group. In this case, all individuals being examined are in the treatment group. They are differentiated by the type of treatment they receive. A group who received a particular type of treatment becomes the reference group against which the other groups are compared. The results are the estimated relative impacts of receipt of one type of treatment versus another.<sup>18</sup>

Both of these techniques must adjust statistically for the problem of selectivity bias, noted above.

### NCEP Findings

The first set of findings I will report pertain to the impact of JTPA programs on adult women (ages 22 and older) who, at the time they enrolled in JTPA programs, not only were on AFDC, but also had not worked in at least a year prior to program entry.<sup>19</sup> At the time they left JTPA (in Program Year 1986),

- o 75 percent were placed in jobs,
- o 4 percent enrolled in non-JTPA education or training; and
- o 21 percent left early for reasons such as problems with transportation, child-care, or health

Of the women placed in jobs,

- o 18 percent were above the 1990 three-person family Census poverty threshold in their first post-program quarter<sup>20</sup>,
- o 16 percent were above this poverty threshold in their first post-program year<sup>21</sup>, and
- o 22 percent were above this poverty level in their second post-program year.

By comparison, of the women who left JTPA training prior to placement,

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<sup>16</sup>While the precise states included in the database vary from one Program Year to another, the following states are in it for all years: Georgia, Illinois, Missouri, Nevada, Oregon, South Carolina, Texas, and Washington.

<sup>17</sup>The comparison group is analogous to an experiment's control group: it becomes the reference group against which the post-program employment and earnings of program participants are assessed. The results are the estimated net impacts of the treatment. See Bowman, (June 1993).

<sup>18</sup>For example, see Romero (June 1994) and William R. Bowman, An Analysis of the Employment and Earnings Impacts of JTPA Programs for Out-of-School Youth, Report prepared for the National Commission for Employment Policy, (December 1994).

<sup>19</sup>These findings are contained in Romero, (June 1994).

<sup>20</sup>The quarterly threshold is \$2,471.

<sup>21</sup>The threshold is \$9,885.

- o 2 percent were above the 1990 three-person Census poverty threshold in their first post-program quarter;
- o 2 percent were above this poverty threshold in their first post-program year; and
- o 7.5 percent were above this poverty threshold in their second post-program year.

Turning to the women who were not only placed but also employed each quarter in a post-program year, the results are more encouraging. (Half were employed each quarter in their first post-program year, 47 percent were employed each quarter in their second post-program year.) In their first year, almost 40 percent were above the Gross Income Limit for AFDC determination in their state, and 31 percent were above the Census poverty level for a three-person family.<sup>22</sup> In their second year, 71 percent were above the Gross Income Limit for AFDC determination in their state, and 44 percent were above the Census poverty level for a three-person family.

In contrast, of the women who left the programs early, in their first post-program year, only 14 percent were employed in each quarter. Among these women, 34 percent were above the Gross Income Limit for AFDC determination in their state, and only 14 percent were above the Census poverty level for a three-person family. In their second year, 27 percent were employed in each quarter. Among them, 65 percent were above the Gross Income Limit for AFDC determination in their state; and 27 percent were above the Census poverty level for a three-person family.

Moreover, compared to job placement from the minimal service of job search assistance, placement out of both occupational classroom training and on-the-job training significantly raised the likelihood that these AFDC recipients would be employed in every quarter of the first and the second post-program years. For example, in the first year, the women placed from on-the-job training were 9 percent more likely to be employed than those placed from job search assistance; in the second year, they were 6 percent more likely to be employed all four quarters.

For those who were employed all four quarters, training in -- and placement from -- skills training as well as basic remedial education was associated with a higher likelihood of being above the three-person poverty threshold. For instance, in the first post-program year, women placed from occupational classroom training were 8 percent more likely, on average, to be above poverty than those placed after receipt of job search assistance. In the second post-program year, they were 11 percent more likely to be above poverty.

Turning to out-of-school, economically disadvantaged young women (ages 18 through 21), NCEP research has found that on-the-job training is the most effective strategy for insuring continued employment (into their second post-program year) and also for raising their earnings.<sup>23</sup> I should note that this particular finding does not conflict with my earlier statement that job placement is key for 18 to 19 year-olds. A major purpose of JTPA's on-the-job training is continued employment with the same employer after the training has been completed, i.e., job placement. Moreover, this finding is for economically disadvantaged young women, only some of whom are on AFDC.<sup>24</sup>

In addition, for economically disadvantaged young women, the Commission's research indicates that placement from occupational classroom training increases the likelihood of their employment as much as two years after they leave JTPA, and it raises their earnings as well.<sup>25</sup>

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<sup>22</sup>The Gross Income Limit is the maximum amount a family can earn and still receive AFDC benefits. It is established at the state level and varies considerably across states; for example, in 1993, it ranged from \$2,799 per month in New Hampshire to \$577 in Missouri.

<sup>23</sup>William R. Bowman, (December 1994).

<sup>24</sup>It should be mentioned that this finding does not conflict with those from the National JTPA Experiment. The experiment combined participants in on-the-job training and job search assistance into one group. The Commission's research has found that job search assistance is the least effective program and that on-the-job training is the most effective. Thus, the experiment combined participants of the least effective -- and the most effective -- strategies into one category, thereby producing an overall finding that neither "worked." See Bowman, (December 1994).

<sup>25</sup>Bowman, (December 1995).



While there are success stories regarding the outcomes of employment and training programs for young AFDC recipients, the results are not as positive as for the older women. For example, among 18 to 19 year-olds placed in jobs, only 40 percent were employed in three to four quarters in their second post-program year and only 14 percent earned enough to rise above the three-person poverty threshold.<sup>26</sup>

The reasons why employment and training programs are less successful for younger than older women may be straightforward. First, in the normal course of events, they are in their child-bearing years when leaving the workforce for a period of time is most common. Second, we ought to take into account what behavior we expect of them and compare it with our expectations regarding the behavior of college freshman and sophomores, who frequently manifest some level of immaturity in their rapidly changing career aspirations.

The importance I have placed on "job placement" raises the issue of public sector jobs since it has been proposed that the public sector become the employer of last resort as we move welfare recipients into the workplace. Unfortunately, there is little information on this topic that could guide policymakers.

Community Work Experience (CWE) is a program for AFDC recipients authorized under JOBS. In this program, AFDC recipients work for a public service organization (public agency or not-for-profit organization) in return for their welfare benefit. Rather than being viewed as a form of work relief, CWE is generally seen as a program to prepare AFDC recipients to move into unsubsidized employment.

As of September 1991, only thirty states operated active CWE programs, and of those, only 12 states had enrolled more than 150 welfare recipients in them.<sup>27</sup> One striking fact about CWE is the lack of systematic data on outcomes. States and localities do not maintain data in a way that would allow an assessment of how often CWE participants move into regular employment, much less of how much of that employment can be attributed to the CWE experience.

One final point. I began my statement with an implicit recommendation in favor of targeting welfare reform efforts on AFDC recipients of prime-working age, i.e., roughly 20 through 39 years old. JOBS also targets priority services for AFDC recipients who

- o have received assistance for 36 months or more during the preceding 60 months,
- o are under age 24 who have not completed high school or its equivalent;
- o are under age 24 who have three months or less work experience in the preceding year; and
- o are in families in which the youngest child is within two years of eligibility.

As you consider possible options for targeting particular groups, you should be aware that targeting criteria have implications for the racial/ethnic mix of women who are served.<sup>28</sup> For example, the Commission's case study of AFDC recipients in Texas found that of all women eligible for JOBS, the greatest percentage are Hispanic, followed by Blacks, and then Whites (41 percent, 37 percent, and 22 percent, respectively). However, within JOBS target groups, which include just under half of all recipients eligible for JOBS, Black women comprise the largest share (44 percent), followed

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<sup>26</sup>Similar to the findings for older women, the young AFDC recipients who left JTPA prior to completion were even less likely to be employed: only one fifth worked in three to four quarters of their second post-program year. Further, the number above the three-person poverty level was too small to be considered reliable. Romero, (forthcoming, Spring 1995).

<sup>27</sup>This discussion is based on Edward T. Jennings, Jr., and Dale Krane, *The Employer Role and Program Outcomes in Welfare Work Programs*. Report prepared for the National Commission for Employment Policy, (June 1994).

<sup>28</sup>This discussion is based on Deanna T. Schexnayder, Christopher King, and Leslie O. Lawson, *Patterns of Participation in Texas Welfare and Training Programs: How Hispanics Differ from Other Race/Ethnic Groups*. Report prepared for the National Commission for Employment Policy, (September 1994).

by Hispanics (41 percent), and then Whites (16 percent).

The reason for this difference is due to the racial/ethnic distribution of AFDC recipients by type of target group. In Texas, long-term AFDC receipt is the most common JOBS target group for all race/ethnic categories. Due to the fact that Blacks make up the highest percentage of participants in this category, a disproportionately higher percentage of Blacks are targeted for this reason.

The second most common reason for targeting in the Texas JOBS program is lack of a high school diploma. More Hispanics are in this category than either Blacks or Whites.

#### IV. CONCLUSIONS

Employment and training programs should be included in any reform of the nation's welfare system. I am aware that serious consideration is being given to proposals to block grant AFDC to states and to permit them to establish the programs that work best for them. Should this be the outcome of congressional action, then much of my statement is directly relevant to states' needs. Nevertheless, my statement also has implications at the federal level: **proposals to reform AFDC should be closely tied to proposals to reform and consolidate the federal government's job training system.**

Past attempts to include employment and training in welfare reform have not been successful, largely for two reasons:

- o Management has been fragmented. There have been two bureaucracies -- one aimed at providing AFDC benefits and another aimed at providing training and jobs -- when one bureaucracy is required.
- o There have been no performance goals. The AFDC system under JOBS has had no percentage of job placements -- or other similar goal -- which it sought to meet.

A successful employment and training program for welfare recipients would include the following four elements.

1. **The focus would be on women who are of prime-working age.** Prevention of teen pregnancy and out of wedlock births would be the focus for younger women.
2. **Receipt of training and job search assistance would be voluntary.** Women would have a choice. Their alternative might not be attractive, but they would have a choice nevertheless.
3. **Program staff would have clear, measurable goals that they are to meet.** Shifting to an outcomes-oriented system would be unsettling for staff devoted to helping AFDC recipients. Certainly difficulties were experienced in a similar transition from the Comprehensive Employment and Training Act (CETA) to JTPA. Nevertheless, such a redirection in emphasis can, and should, occur.
4. **Placing people in jobs would be a primary program objective.** For some AFDC recipients, job placement could be immediate; other women may first need only job search assistance; others may require skills training. Still others may need basic/remedial education before they are prepared to take training and subsequently be placed in jobs.

This last element of a successful employment and training system -- job placement -- leads me to my final statement. For welfare reform to be effective, it is imperative that the national economy, and local ones as well, be healthy. The private sector must be able to create and retain jobs, and for that reason, welfare reform must be seen in the larger context of national economic policy.

Thank you once again for the opportunity to participate in these hearings. I will be happy to entertain any questions that you might have.

Mr. ENGLISH. Thank you, Dr. Romero.  
I will now recognize Harold Acres.

**STATEMENT OF HAROLD R. ACRES, CHAIRMAN, WELFARE  
REFORM TASK FORCE, UNITED WAY OF AMERICA**

Mr. ACRES. Mr. Chairman and Members of the Subcommittee, I am Harold Acres, chairman of the United Way of America's Welfare Reform Task Force and a United Way volunteer from New Hampshire.

Thank you for inviting me here today. I will speak on behalf of United Way of America's Public Policy Committee. I am submitting two documents and request that they be printed in the hearing record. First, you have my full written statement; second, because United Way supports local charities like the Salvation Army, YWCA, YMCA and Catholic Charities, we are submitting for the record a statement on the role of charities in welfare reform which is cosigned by local United Ways and United Way agencies.

United Way of America supports and serves approximately 1,400 local United Way member organizations across the country. Local United Ways serve as both community fundraisers and problem solvers. Local United Ways support programs that ease the transition from welfare to work.

The welfare system can and should be improved to promote work and self-sufficiency. At the same time, reforms should be tailored to ensure that children have a safety net when they need it.

Today I will briefly comment on three key points. First, the Public Policy Committee supports welfare reform which builds on the successful public/private partnership between local United Ways and public funders. Second, while we are not opposed to turning welfare programs into block grants to the States, we have some concerns about this approach to welfare reform. Finally, charities may be able to do more, but they cannot provide adequate emergency and basic services and continue prevention and education programs, if public funding is reduced significantly or eligibility for public assistance is limited.

By providing private dollars for transitional services, local United Way volunteers assist welfare recipients. In this way, local businesspeople are involved in community decisionmaking to prepare welfare recipients for work. Through the regular United Way program evaluation process, volunteers and staff have become convinced that programs that focus on welfare to work are an integral part of a successful assistance program.

Recently, the Public Policy Committee met to deliberate on the move toward creating welfare block grants. We recognize that block grants can provide valuable flexibility to States to target those most in need for coverage and to tailor programs to local experience. However, Federal welfare reform should ensure that all children and families are treated equally, regardless of the State in which they reside or the timing of their need.

It is critical that human services block grants maintain eligibility for those in need when the economy changes. Therefore, we urge you to build a flexible mechanism into any block grant proposal to address the impact of an economic downturn. Charities have difficulty increasing services when the economy goes bad. In fact,

charitable giving is reduced when givers feel uncertain about their own economic security.

The Public Policy Committee has assessed the ability of charities to fill the gap that may be left, if Federal funding for basic emergency and transitional services is reduced or eliminated. In the past, charities were unable to provide the basic support needed by poor families. While United Ways do fund emergency services like soup kitchens and shelters, charitable support cannot replace the basic safety net. Cuts in Federal funding are unlikely to result in increases in charitable giving of the magnitude needed to replace a lost or reduced Federal commitment. In fact, according to the Center on Budget and Policy Priorities in the American Association of Fund-Raising Council, charitable giving would have to double in order to replace human services funding that would be lost under some proposals currently being considered. In the early eighties, according to the Urban Institute's Nonprofit Sector Project, charitable giving made up only 7 percent of the \$42 billion that was lost.

It is important that there continue to be a Federal presence and commitment to the needs of poor families. Federal involvement has insured a basic level of assistance across the States. Charitable giving and needs are uneven across States and localities. Private charitable giving cannot serve the function of evening out public assistance across the States and localities. Only the Federal Government can perform this function.

United Way and other charities we support can and do provide services efficiently, creatively and with more flexibility than government. In fact, a great many public functions are currently being performed by private charitable organizations as a subcontractor to government. Those who would prefer to have the charities do more must remember that they strand so forth every dollar, often augmented by Federal funding and United Way support.

It is important to bear in mind that public funding provides 42 percent of local agency resources. The combined private charitable resources of United Way contributions and agency fundraising is only 0.4 percent of agency budgets.

[The prepared statement and attachment follow:]

**STATEMENT FOR THE RECORD**

Submitted to  
Committee on Ways and Means  
Subcommittee on Human Resources

by

**Harold R. Acres, Nashua, New Hampshire**  
on behalf of  
**Welfare Reform Task Force of the  
Public Policy Committee of  
United Way of America**

**February 2, 1995**

Mr. Chairman and Members of the Committee, I am Harold Acres, the Chairman of the United Way of America Welfare Reform Task Force and a United Way volunteer from New Hampshire. Thank you for inviting me here today to speak on behalf of United Way of America's Public Policy Committee.

United Way of America supports and serves approximately 1400 local United Way member organizations across the country. Local United Ways serve as both community fundraisers and problem solvers. In their capacity as community problem solvers, United Way volunteers and United Way professionals have long been partners with government in funding welfare-to-work initiatives. Local United Ways support programs that ease the transition from welfare to work, including, child care, job training, job acquisition, education, and prevention of teen pregnancy.

***United Ways and Welfare Reform***

United Way of America supports welfare reform because our welfare system can and should be improved to promote work and self-sufficiency. At the same time, we believe that reforms should be tailored to ensure that children do not lose the support of a safety net when they need it.

Local United Ways provide funding, often in partnership with federal and state governments, for many supportive and transitional services for welfare recipients. A significant proportion of United Way dollars fund programs for children. At the cornerstone of our position statement on welfare reform is a guiding principle: ensure that the best interests of children are always taken into consideration.

With this in mind, we examined hands-on experiences of United Ways in addressing the major issues before you today. In our efforts to enhance the lives of children, United Ways also focus on stabilizing the family. Examples include:

- **Child care.** 83% Of local United Ways responding to a United Way of America survey are funding child care programs and have found it to be the second most effective program in assisting people to become employed and self-sufficient. Our position statement strongly supports adequate funding for child care for parents who are in education and training programs, poor working families who have recently left welfare or those managing to stay off of welfare through the child care subsidy of the At-Risk Child Care Block Grant.
- **Education and training programs.** The 1993 welfare reform survey of local United Ways found that members describe training and employment programs as the

most effective in assisting people in the community to become employed and self-sufficient. Fifty-five percent of those local United Ways fund such programs.

United Ways frequently partner with government in JOBS programs. In Cincinnati, over 1 million dollars of local United Way resources support programs also funded by the Federal Jobs Program.

The Public Policy Committee also has adopted positions on current issues which contribute to poverty. Just as we focus on the needs of young children, we place a high priority on the problems of poor families. Following are specific issue areas we contemplated and our views on addressing them.

- **Teen parents.** A recent survey of local United Ways found that 75% are funding teen pregnancy prevention and parenting counseling programs. We strongly support funding for education and training for teen parents that focuses on developing parenting skills and responsible decision-making.
- **Two Parent Families.** Current eligibility requirements deny assistance to households in which one parent works more than 100 hours per month (regardless of earnings) or lack a work history. These rules create a disincentive to marry, particularly in young families who may not have a work history. United Ways strongly support eliminating these eligibility requirements, support basing eligibility on earnings, and urge greater flexibility to encourage families to stay together.
- **Time limits.** As we have stated, United Ways strongly support initiatives that help welfare recipients move from welfare to work. We have serious reservations regarding arbitrary time limits. Welfare reform should recognize the diversity in needs among poorly trained and educated job seekers. We suggest that individualized time limits imposed by both the recipient and case manager would more effectively move welfare recipients into jobs. Such an agreement should clearly state the expectations of both the recipient and case manager.
- **Family caps.** We do not support eliminating eligibility for assistance for children born to welfare recipients. This proposal could jeopardize many innocent children and destabilize families. We have seen no research data that such a policy would influence behavior nor reduce the poverty rate among children.

By providing private dollars for transitional services, local United Ways are involving volunteers in the effort to assist welfare recipients through the United Way allocation process. In this way, local business people are involved in community decision-making to prepare welfare recipients for work. Through the regular evaluation process of United Way programs, volunteers and staff have become convinced that well-run programs, with real success at moving people from welfare to work, are an integral part of an assistance program focused on work.

#### *Block Grant Options*

Recently, the Public Policy Committee met to deliberate on the move toward creating welfare block grants. We recognize that block grants may provide valuable flexibility to states to target those most in need for coverage and to tailor programs to local experience. However, block grants might also create gaps in coverage unless they are designed to ensure coverage to those who are eligible and needy.

Traditional block grants flow until the funds are gone. Federal welfare reform should ensure that all children and families are treated equally, regardless of the state in which they reside or the timing of their need. During a recession need generally rises, while charitable giving often declines. It is critical that human services block grants maintain eligibility for those in need when the economy changes. Therefore, we urge you to build a flexible mechanism into any block grant proposal to address the impact of an economic downturn. Charities have difficulty increasing services when the economy goes bad; in fact, charitable giving is reduced when givers

feel uncertain about their own economic security.

### *Charities' Role in Welfare Reform*

We have assessed the ability of charities to fill the gap that may be left if federal funding for basic, emergency and transitional services is reduced or eliminated. Our review of past experience demonstrates that charities were unable to provide the basic support needed by poor families. We and other charities encouraged the creation of a federalized system of basic and emergency support to ensure minimum support for families in need. While United Ways do fund emergency services, like soup kitchens and shelters, charitable support cannot replace the basic safety net provided by AFDC and food stamps. Cuts in federal funding are unlikely to result in increases in charitable giving of the magnitude needed to replace a lost or reduced federal commitment. In fact, according to the Center on Budget and Policy Priorities and the American Association of Fundraising Counsel, charitable giving would have to double in order to replace human services funding that would be lost under some proposals currently being considered. In the early 80's, there were about \$42 billion in cuts to Federal programs of interest to nonprofits. But, charitable giving made up for only 7% of the lost federal funds.

It is important that there continue to be a federal presence and commitment to the needs of poor families. Federal involvement has ensured a basic level of assistance across the states. In particular, the food stamp program, through its eligibility formula, reduces the difference in public assistance levels across the states. On the other hand, charitable giving and needs are uneven across states and localities. Private sector giving is decentralized and has no mechanism for redistribution across geographic boundaries. Private charitable giving cannot serve the function of evening out public assistance across the states and localities - only the federal government can perform this function.

United Ways and other charities we support can and do provide services efficiently, creatively and with more flexibility than government. In fact, a great many public functions are currently being performed by private, charitable organizations as a subcontractor to government. In United Way agencies, 42% of funding comes from government sources. This is the same funding that may be reduced or eliminated under some proposals. Those who would prefer to have charities do more must remember that they stretch every dollar, often augmented by federal funding and United Way support. It is important to bear in mind that while public funding provides 42% of local agency resources, the combined private charitable giving of United Way contributions and agency fundraising is only 24% of agency budgets.

### *Tax Policies and Charitable Giving*

In closing, let me address the issue of tax incentives for charitable giving. Changing the tax code may be helpful in providing incentives to encourage increased giving. However, we caution that providing a tax return check off or an increased deduction may cost human service charities down the line. The question is: if you dedicate part of your tax refund to charity, will you continue to give directly? We urge you to keep in mind the potential unintended consequences of these tax incentives.

We have taken a cursory look at proposals which would create a tax credit for charitable giving. Unlike a charitable deduction, a credit might have a significant affect on giving. We intend to take a closer look at a charitable tax credit and will seek research data to support such a conclusion. In the meantime, we hope that we can work together on any tax proposals which attempt to increase charitable giving.

For these reasons, we applaud the very real efforts at welfare reform that focuses on work, flexibility, and local needs. The Public Policy Committee urges you to bolster the valuable private/public partnerships that exist today. Further, we encourage continued emphasis on transitional assistance to those moving from welfare to work. At the same time, we caution those who think that charities can do more.

The Public Policy Committee is also concerned about the appropriateness or ability of charities to shift funding from prevention and education to basic and emergency services. It is not a good idea: nonprofits do not have the charitable resources to recreate the safety net. United Way of America's Public Policy Committee strongly supports welfare reform that encourages work and self-sufficiency, while ensuring a safety net to protect poor children across the nation.

Thank you, Mr. Chairman, for this opportunity to testify before your committee. We look forward to working with you to develop meaningful welfare reform.



**UNITED WAY OF AMERICA'S PUBLIC POLICY COMMITTEE  
COSIGNERS OF STATEMENT:  
THE ROLE OF CHARITIES ON WELFARE REFORM**

*National Agencies*

Camp Fire Boys and Girls  
Catholic Charities U.S.A.  
Evangelical Lutheran Church in America  
Girls Incorporated  
Girl Scouts of the U.S.A.  
Family Services of America  
Literacy Volunteers of America  
National Council on Alcoholism and Drug Dependence, Inc.  
National Urban League  
United Service Organization, Inc.  
YWCA of the U.S.A.

*State and Local United Ways*

United Way of Calhoun County, Anniston, Alabama  
United Way of Southwest Alabama, Mobile, Alabama  
United Way of Kern County, Bakersfield, California  
United Way of Santa Cruz County, Capitola, California  
United Way of Orange County, Irvine, California  
United Way of Greater Los Angeles, Los Angeles, California  
Monterey Peninsula United Way, Monterey, California  
United Way of the Inland Valleys, Riverside, California  
Northern California Community Services Council, Inc, San Francisco, California  
San Francisco Bay Area United Way, San Francisco, California  
Mile High United Way, Denver, Colorado  
United Way of the Capital Area, Hartford, Connecticut  
United Way of Connecticut, Inc., Rocky Hill, Connecticut  
United Way of Northeast Florida, Jacksonville, Florida  
United Way of Northwest Florida, Panama City, Florida  
United Way of Palm Beach County, West Palm Beach, Florida  
United Way of Martin County, Stuart, Florida  
United Way of Northwest Georgia, Dalton, Georgia  
United Way of the Central Savannah River Area, Augusta, Georgia  
United Way of Rome & Floyd County, Rome, Georgia  
United Way of Southwest Georgia, Albany, Georgia  
Hawaii Island United Way, Inc., Hilo, Hawaii  
United Way of Ada County, Boise, Idaho  
United Way of Idaho Falls & Bonner County, Idaho Falls, Idaho  
United Way of Aurora Area, Aurora, Illinois

Family Service and Visiting Nurse Association, Centralia, Illinois  
 United Way of Decatur/Macon County, Decatur, Illinois  
 Illinois Center for Autism, Fairview Heights, Illinois  
 The Wells Center, Jackson, Illinois  
 United Way of Quad Cities Area, Rock Island, Illinois  
 United Way of Illinois, Springfield, Illinois  
 United Way of Sangamon County, Springfield, Illinois  
 Visiting Nurse Association of St. Clair County, Swansea, Illinois  
 United Way Partnership, Illinois  
 Operation Blessing, Wood River, Illinois  
 United Way of Madison County, Anderson, Indiana  
 United Way of Allen County, Inc., Fort Wayne, Indiana  
 Lake Area United Way, Griffith, Indiana  
 United Way of Central Indiana, Indianapolis, Indiana  
 United Way of Horrid County, Kokomo, Indiana  
 United Way of Central Iowa, Des Moines, Iowa  
 United Way of Wyandotte County, Inc., Kansas City, Kansas  
 Big Brothers/Big Sisters of Manhattan, Manhattan, Kansas  
 Manhattan Emergency Shelter, Inc., Manhattan, Kansas  
 United Way of Riley County, Inc., Manhattan, Kansas  
 The Crisis Center, Inc., Manhattan, Kansas  
 United Way of Northern Kentucky, Florence, Kentucky  
 United Way of the Bluegrass, Lexington, Kentucky  
 United Way of Kentucky, Louisville, Kentucky  
 Metro United Way, Louisville, Kentucky  
 Capital Area United Way, Baton Rouge, Louisiana  
 United Way of Acadiana, Lafayette, Louisiana  
 United Way of Penobscot Valley, Bangor, Maine  
 United Way of Mid Coast Maine, Bath, Maine  
 Big Brothers/Big Sisters of Monroe, Monroe, Michigan  
 Frey Foundation, Gran Rapids, Michigan  
 Livingston County United Way, Howell, Michigan  
 United Way of Michigan, Lansing, Michigan  
 United Way of Monroe County, Inc., Monroe, Michigan  
 United Way of Oakland County, Pontiac, Michigan  
 United Way of Saginaw County, Saginaw, Michigan  
 United Way of Minneapolis Area, Minneapolis, Minnesota  
 United Way of Greater Lee County, Tupelo, Mississippi  
 Heart of America United Way, Kansas City, Missouri  
 Lutheran Family and Children's Services of Missouri, St. Louis, Missouri  
 United Way of Southern Nevada, Las Vegas, Nevada  
 United Way Monmouth County, Farmingdale, New Jersey  
 United Way of Hudson County, Jersey City, New Jersey  
 United Way of Central Jersey, Milltown, New Jersey  
 United Way of Morris County, Morristown, New Jersey  
 United Way of Passaic County, Patterson, New Jersey  
 United Way of Central New Mexico, Albuquerque, New Mexico  
 United Way of Niagara, Niagara Falls, New York

United Way of Central New York, Inc., Syracuse, New York  
 United Way of the Greater Utica Area, Inc., Utica, New York  
 Community Action Agency of Southern New Mexico, Las Cruces, New Mexico  
 United Way of Central Carolinas, Inc., Charlotte, North Carolina  
 Tri County Christian Crisis Ministry, Elkea, North Carolina  
 Catawba County United Way, Inc., Hickory, North Carolina  
 Catawba Valley Area Girl Scout Council, Inc., Hickory, North Carolina  
 Hospice of Catawba Valley, Hickory, North Carolina  
 Rape Crisis Center of Catawba County, Inc., Hickory, North Carolina  
 Women's Resource Center, Hickory, North Carolina  
 Hospice of Wilkes, North Wilkesboro, North Carolina  
 United Way of Wilkes County, North Wilkesboro, North Carolina  
 United Way of Wake County, Inc., Raleigh, North Carolina  
 United Way of Cass-Clay, Fargo, North Dakota  
 United Way & Community Chest of Greater Cincinnati, Cincinnati, Ohio  
 Columbus AIDS Task Force, Inc., Columbus, Ohio  
 Columbus Area Council on Alcoholism, Columbus, Ohio  
 Crittenton Family Services, Columbus, Ohio  
 Jewish Family Services of Columbus, Ohio  
 Rosemont Center, Columbus, Ohio  
 Salesian Boys & Girls Club, Columbus, Ohio  
 The Ohio Hunger Task Force, Columbus, Ohio  
 Ohio United Way, Columbus, Ohio  
 United Way of Franklin County, Columbus, Ohio  
 Wisdom Communications, Columbus, Ohio  
 YWCA of Columbus, Columbus, Ohio  
 United Way of Hancock County, Findlay, Ohio  
 United Way of Fairfield County, Lancaster, Ohio  
 United Way of Richland County, Mansfield, Ohio  
 United Way of Portage County, Ravenna, Ohio  
 Shelby County United Way, Sidney, Ohio  
 United Way of Trumbull County, Warren, Ohio  
 United Way of Lane County, Eugene, Oregon  
 Visiting Nurse Association/Home Health Services, Edwardsville, Pennsylvania  
 United Way of the Greater Lehigh Valley, Bethlehem, Pennsylvania  
 United Way of Pennsylvania, Harrisburg, Pennsylvania  
 United Way of the Capital Region, Harrisburg, Pennsylvania  
 United Way of Beaver County, Monaca, Pennsylvania  
 United Way of Lackawanna County, Scranton, Pennsylvania  
 Catholic Social Service/Wyoming County, Wilkes-Barre, Pennsylvania  
 Community Counseling Services, Wilkes-Barre, Pennsylvania  
 Domestic Violence Service Center, Wilkes-Barre, Pennsylvania  
 Family Service Association of Wyoming Valley, Wilkes-Barre, Pennsylvania  
 Help Line, Wilkes-Barre, Pennsylvania  
 Hospice St. John, Wilkes-Barre, Pennsylvania  
 Legal Services of Northeastern Pennsylvania, Inc., Wilkes-Barre, Pennsylvania  
 United Cerebral Palsy of Luzerne County, Wilkes-Barre, Pennsylvania  
 United Rehabilitation Services, Inc., Wilkes-Barre, Pennsylvania

Visiting Nurse Association Home - Health Services, Wilkes-Barre, Pennsylvania  
 Wilkes-Barre Family YMCA, Wilkes-Barre, Pennsylvania  
 Wyoming Valley Alcohol and Drug Services Inc., Wilkes-Barre, Pennsylvania  
 Wyoming Valley Children's Association, Wilkes-Barre, Pennsylvania  
 United Way of York County, York, Pennsylvania  
 Fondos Unidos de Puerto Rico, San Juan, Puerto Rico  
 United Way of Southeastern New England, Providence, Rhode Island  
 Helpline of the Midlands, Columbia, South Carolina  
 Community Planning Council of Greenville County, South Carolina  
 United Way of Greenville County, Greenville, South Carolina  
 United Way of Middle Tennessee, Nashville, Tennessee  
 United Way of Brazoria County, Angleton, Texas  
 United Way of Texas, Austin, Texas  
 United Way of El Paso, El Paso, Texas  
 United Way of the Texas Gulf Coast, Houston, Texas  
 United Way of Metropolitan Tarrant County, Fort Worth, Texas  
 United Way of Lubbock, Inc., Lubbock, Texas  
 United Way of the Concho Valley, San Angelo, Texas  
 United Way of Greater Texarkana, Inc., Texarkana, Texas  
 Mainlands Communities United Way, Texas City, Texas  
 United Way of Chittenden County, Inc., Burlington, Vermont  
 United Way of Central Virginia, Lynchburg, Virginia  
 Seattle Children's Home, Seattle, Washington  
 United Way of King County, Seattle, Washington  
 United Way of Fox Cities, Inc., Menasha, Wisconsin  
 Stateline United Way, Beloit, Wisconsin  
 United Way of Portage County, Stevens Point, Wisconsin



701 North Fairfax Street  
Alexandria, Virginia 22314-2045  
Phone: (703) 836-7100

## **ROLE OF CHARITIES IN WELFARE REFORM**

The United Way system funds tens of thousands of local agencies which provide critical services to children and families in need across our nation. United Ways are community problem solvers and fundraisers that support local charities like the Salvation Army, YMCA, YWCA, and Catholic Charities. United Ways and United Way agencies stretch every dollar to the limit and help as many families as possible. While charities may be able to fill some gaps, they do not have the capacity to sustain emergency and basic services for the current welfare population of 14 million Americans, two thirds of whom are children. This document addresses key questions regarding the capacity of charities to assume responsibility for emergency and basic human needs of children and families, and why it would be unrealistic to expect charities to do so.

### **WHO PROVIDED FOR THE POOR BEFORE FEDERAL WELFARE PROGRAMS WERE CREATED?**

- Religious organizations were a primary source of assistance for the poor, but could not lift families out of poverty. AFDC and food stamp programs were created to attack hunger and malnutrition and provide support for families to avoid placing children in orphanages solely because their families were poor.
- In the early part of this century, widows's pensions were created in most states in response to the call, from President Theodore Roosevelt's White House Conference, to provide "such aid being given as may be necessary to maintain suitable homes for the rearing of children." Religious organizations, child welfare experts, and orphanage directors favored the creation of a safety net. Today, the successors to the widow's pensions are federal programs designed to reduce the unevenness of the state programs: AFDC and food stamps provide basic, essential assistance to children and families in need. While charities continue to support food banks, soup kitchens, and clothing drives to meet the emergency needs of poor families, these activities cannot replace AFDC and food stamps.

### **WHAT IMPACT DO CUTS IN FEDERAL FUNDING FOR HUMAN AND SOCIAL SERVICE PROGRAMS HAVE ON CHARITABLE GIVING?**

- From 1982 to 1984, there were almost \$42 billion in cuts to federal programs in which nonprofits are affected. After adjusting for inflation, charitable giving increased during that time only enough to make up for 7% of the federal funding cuts.

- Giving to human service charities would have to increase by 114% by 1996 (and continue to double every year after that) to compensate for the proposed reductions in basic assistance spending. Further, charitable dollars currently dedicated to innovative programs and services would have to be redirected to recreate the safety net. Charitable spending priorities would change radically.
- At the same time that federal funding was decreasing, and charitable funding could not increase enough to make up the difference, there was steady growth in need. **Evidence of this growth can be found in changes in the fund distribution reports of local United Ways.** The emerging and fast-growth area of funding is "basic and emergency needs." Traditionally, United Ways have primarily funded prevention and education programs. Community needs have put pressure on local United Ways to support private agencies that provide basic and emergency services that the public sector no longer funds. For example, Catholic Charities provided emergency food and shelter for less than one million Americans in 1981. Last year, Catholic Charities helped *seven million children and families*.
- If more charitable resources are diverted to emergency needs, fewer dollars are available for education and family support services (i.e., child abuse prevention, parenting, child care). The loss of funds to meet increasing demand for prevention services increases yet again the demand for emergency assistance.
- Federal funding is a great leveler. Charitable giving and needs are uneven across states and localities. **Private sector charitable giving is decentralized and has no mechanism for redistribution across geographic boundaries.** Poor communities have much less charitable giving to respond to difficult problems of poverty and distress. Thus, poor communities would be even more unable to address community needs during economic hard times or a recession if federal funding is decreased.

#### WHAT HAPPENS TO CHARITABLE GIVING IN TIMES OF RECESSION?

- Demands for basic and emergency services inevitably grow during a recession. Yet, charitable giving does not keep pace with increased demands on local charities. The smallness of the private, charitable sector makes it apparent that it cannot be the provider of assistance for basic needs, but should preserve its role as an innovative and flexible service provider.
- United Ways' campaigns, when dollars are adjusted for inflation, have been stagnant since 1987. ***Unlike current federal entitlement spending, which automatically expands when need increases, charitable giving and capped block grants cannot expand when need increases during a recession.***
- Charitable giving is going down and a recent study found that a reason for the reduction is the recession. Independent Sector's recently completed research shows that household giving dropped by 25% from 1989 to 1993.

**CAN LOCAL CHARITIES PROVIDE BASIC, ESSENTIAL ASSISTANCE TO THE POOR RATHER THAN THE FEDERAL GOVERNMENT?**

- Charities are able to respond to some emergency needs, but cannot meet the everyday basic needs of poor families. It is appropriate for the private sector to provide some emergency and support services, like food banks, child care for working parents, or job preparation training. Food banks and soup kitchens provide meals to families when food runs out. While the private sector has the ability to fill emergency needs, *local charities do not have the capacity to provide meals to 20 million poor families every day of every week.* On the other hand, the food stamp program is a manageable mechanism to provide daily sustenance to children and poor elderly households that do not have sufficient income for food.
- The private sector can and does provide services efficiently, creatively and with more flexibility than the government. In fact, a great many public functions ARE being performed by private, charitable organizations as a subcontractor to government. For example, the United Way of America and the Federal Emergency Management Agency entered a partnership in which the United Way of America agreed to administer the Emergency Food and Shelter program through local United Ways. This program provides more than \$130 million for emergency needs with administrative costs of less than three percent of total program funding.
- Public/private partnerships can reduce overall costs for social welfare programs. However, private charities do not have the capacity to assume responsibility for all programs for the poor. In 1993, United Ways in Texas raised \$209 million. Federal and state AFDC spending in Texas totaled \$613 million in 1993. *There is no way that increased efficiency or increased charitable giving can make up this difference in funding.*
- Today, at least 1/3 of funds to charitable organizations is from the government, which is far greater than private donations to charities. In United Way agencies, 42% of funding is from government sources. This is the same funding that would be reduced under some policy proposals.
- Services provided by charitable organizations are already being cut back under existing funding levels. Many providers of emergency services have been forced to limit access to families: a food bank that used to serve a family once a month is now serving that family every other month. Food banks do not have the capacity to expand emergency service to once per week, let alone once each night.
- When it comes to providing basic needs, charities have much less capacity than government. *Nonprofits spend about 1/10 of what government spends for human and social services.* While charities' mission is to meet community needs, cuts in federal funding force charities to assume responsibility for those who lose public assistance. Federal funding cuts force charities to substitute its activities for government, and nonprofits lose the distinct role that they have played in responding to community needs.

**WOULD CHARITABLE GIVING INCREASE TO MAKE UP FOR FUNDING CUTS IF**

**THE TAX CODE IS CHANGED?**

- Private giving to charities which fund human and social services has remained at its lowest percentage ever for the past three years.
- While it is important for the tax code to continue to provide incentives for charitable giving, it is impossible to imagine changes in the code that would alter existing giving patterns enough to create increases in giving that could make up the loss of federal funding for the basic, everyday needs of families.
- United Way market research indicates that the tax benefit of giving provides some motivation to givers, but the specific cause and how the individual giver responds to the need is most important. Additionally, other charitable causes are draining giving to human and social service charities.
- Limiting a new tax benefit to contributions for human and social service organizations is not a practical solution. Unfortunately, the tax code does not differentiate between nonprofits that provide human services to the poor and those that provide vastly different kinds of programming. Many human service organizations provide services that have little or nothing to do with the basic and emergency needs of families.
- Permitting individual taxpayers to decide how to dedicate a portion of their income taxes to a human service charity might sound attractive but is administratively unworkable. Such a policy would diminish the ability and role of government to identify and address community needs. Further, dedicating income taxes reduces the spending ability of the federal government and may also negatively impact overall charitable giving.



Mr. ENGLISH. Thank you, Mr. Acres.  
Dr. Ramirez.

**STATEMENT OF MIRIAM J. RAMIREZ DE FERRER, M.D.,  
PRESIDENT, PUERTO RICANS IN CIVIC ACTION**

Dr. RAMIREZ DE FERRER. Mr. Chairman, thank you very much for inviting us to testify to this Committee.

I work as a physician with the Puerto Rico Health Department. I am also here representing my organization, which is Puerto Ricans in Civic Action, an organization that delivered 350,000 individually signed petitions to the U.S. Congress asking for equal rights.

My patients are poor people. Their incomes fall below the poverty line, and their means of support come mainly from welfare programs. However, you are right, the American welfare system is broken. These programs have created a welfare culture in major U.S. cities which have held hostage generations of families in a web of overtapping Federal handouts with dependency, illegitimacy, unemployment and antiethical values.

State and territorial governments are hammered by over 300 Federal assistance programs. What a waste. These should be consolidated into five or seven block grants, but with clear guidelines. Congress should learn from the block grant that replaced the Food Stamp Program in Puerto Rico. It was the outcome of the Reagan conservative agenda.

We urge Congress to expand the JOBS Programs and to limit cash benefits to a specific number of years. We support the creation of empowerment or enterprise zones, put in place a system that promotes work, education, self-sufficiency and family values in all the nations, but include the 3.6 million U.S. citizens in Puerto Rico, because we suffer doubly under the ill-focused Federal assistance programs that are underfinanced.

For example, in 1972, Congress established a Supplemental Security Income Program, but it did not expand it to Puerto Rico, because the program is funded from the general U.S. Treasury funds, and we do not pay Federal taxes. In addition, the U.S. citizens in Puerto Rico are treated unequally in the Medicaid, Medicare, Aid to Families With Dependent Children and Food Stamp Programs. For all these and many more reasons, we are ready to assume equal responsibilities. We already contribute \$2.2 billion in Social Security taxes.

We propose that Congress gradually extend the Federal tax system to Puerto Rico for a 5-year period, while during the same time phase in all Federal programs in order to shift some of the burden of operating our great Nation to the U.S. citizens in Puerto Rico. Phase out the cover of Federal customs duties, fees, excise taxes, possession tax credits over a 5-year period, establish economic incentives such as President Reagan's enterprise zones to reduce unemployment in all affected areas, empowerment zones.

Extending the Federal income tax system to Puerto Rico first will help you balance the budget. You need money. You are looking for money. According to the CBO, this will result in more than \$2 billion in annual Federal revenue. In addition, if you phase out the section 936 tax credit, the largest corporate welfare scam in the

United States, it will produce an additional \$2 billion, a total of approximately \$4 billion. My advisors are telling me that this could end up being \$5 or \$6 billion a year.

Working families in Puerto Rico would pay lower Federal income taxes. The extension of the Federal income tax system will allow our working families to enjoy the benefits of higher tax credits for children, personal exemptions and lower tax rates. It would also allow Congress to extend the Family Reinforcement Act provisions in the Contract With America to Puerto Rico. Thousands of high-income individuals who now escape taxes legally through tax loopholes in the local tax system would have to pay Federal income taxes.

We also emphasize that individual welfare is equally as bad as corporate welfare. Both are welfare, and a dollar wasted in individual welfare is equally badly wasted in corporate welfare. Accordingly, at the very minimum, the solutions proposed should apply equally to corporate welfare. U.S. taxpayers will be very pleased to know that all that benefit from the U.S. budget will also have to pay their share. If you play, you pay.

Puerto Rico's burden sharing will restore the dignity of the U.S. citizens in Puerto Rico. It would bring justice to the hardworking families who live on wages which are subject to withholding source and will carry the burden of paying for the Puerto Rico budget. Both the Governor of Puerto Rico, Dr. Pedro Russello, and the Resident Commissioner, Carlos Romero-Barceló, have publicly endorsed this concept.

Thank you.

[The prepared statement and attachment follow. The GAO Report, "U.S. Insular: Information on Fiscal Relations With Federal Government," GAO/T-GGP-95-71, can be obtained from the U.S. General Accounting Office, and the Tax Notes International article, "Puerto Rico and Section 936: A Costly Dependence," is being held in the Committee files.]



*Miriam J. Ramirez de Ferrer MD*  
*President, Puerto Ricans in Civic Action*

P.O. Box 3225  
 Mayaguez, P.R. 00681  
 (809)834-0726

**Statement: Contract With America**  
**Hearings on Welfare Reform**  
**February 2, 1995**

**Mr. Chairman, Honorable members of this Committee, friends:**

I want to thank you for giving me the opportunity to appear before you to express our views regarding the impact of the Contract with America on Puerto Rico.

As a physician, I have devoted my medical career to give medical services to the needy in Puerto Rico as an Ob-Gyn for the Health Department. The great majority of my patients are poor people, whose incomes fall below the poverty line, and whose means of support come from welfare programs. These 26 years have given me the opportunity to feel first hand the needs of the people who will be affected by the proposals in the Contract with America.

• **But, you are right ! ....The American Welfare system is broken.**

Puerto Rico endures the same sad story as every other state. It is sad that \$14.6 billion dollars in federal funding and tax credits have not markedly changed the quality of life for those it intended to.

Federal programs have created a welfare culture in major United States cities. These have held hostage generations of families in a web of overlapping federal handouts which promote dependency, illegitimacy, unemployment and anti-ethical values.

The hopes of many are with this new Congress. We encourage you to practice radical surgery to stop the billion dollar hemorrhage of federal funds throughout the Nation. State and territorial governments are hammered by the myriad of bureaucratic rules for over 300 federal assistance programs. What a waste ! It would be vastly more efficient to consolidate these into five or seven block-grants with clear guidelines.

Remember the conservative revolution of the Reagan years, with the President's "state's rights agenda" ? This Congress should learn from the block grant that replaced the Food Stamp Program. It was the outcome of the Reagan conservative agenda.

The block-grant did not work because it was the only assistance program. Partial welfare reform, without the extension of all other programs, failed to give Puerto Rico the edge to produce the shining results of President Reagan's vision of empowering local government. We endorse block grants, but with clear federal guidelines

In order to eradicate the conditions which trap welfare recipients in a state of cultural and economic poverty, we urge Congress to establish clear guidelines to expand the JOBS programs, and to limit cash benefits to a specific number of years. We support the creation of empowerment or enterprise zones to help our major cities generate more jobs.

We support a complete restructuring of the American Welfare system. Put in place a system that promotes work, education, self sufficiency and family values in all the Nation, including Puerto Rico. Include the 3.6 million United States citizens in Puerto Rico, because we suffer doubly under the ill-focused federal assistance programs that are underfinanced.

- **The Federal "Safety Net "for United States citizens In Puerto Rico is incomplete.**

Unequal federal funding limits the benefits of former President Reagan's "Safety Net" for United States citizens, as more than 200,000 senior Americans in Puerto Rico live in substandard conditions. Congress established the Supplemental Security Income program (SSI) in 1972 to guarantee a minimum level of income to needy aged, blind, and disabled persons, which should include all U.S. citizens, and exclude aliens without established legal residence.

However Congress did not expand SSI to Puerto Rico, since the program is funded from the general US Treasury Fund and we do not pay full Federal Taxes. In contrast, we qualify for all other Social Security entitlements, as we have been paying Social Security contributions.

We urge Congress to rectify this unequal treatment, and to finance the extension of the Supplemental Security Income by extending the Federal Income Tax to Puerto Rico, and phasing out the archaic practice of "cover overs" of Federal custom duties and excise taxes to the Puerto Rico Treasury.

- **We are ready to assume equal responsibilities.**

The United States citizens in Puerto Rico are ready to assume increased responsibilities. We already contribute **\$2.2 billion** in Social Security taxes. We should not be treated different than the residents in any other states. In addition to unequal treatment under the Supplemental Security Income, the United States citizens in Puerto Rico are treated unequally in the Medicaid, Medicare, Aid to Families with Dependent Children and Food Stamp programs.

We want equal treatment through the Contract Proposal Welfare Reform, re-focusing our goals on self - sufficiency, work fare and family values.

### **WE PROPOSE THAT CONGRESS:**

1. **Gradually extend the federal tax system to Puerto Rico over a 5 year period, while during the same time, phase in all federal programs, in order to shift some of the burden of operating our great Nation to the United States citizens in Puerto Rico.**
2. **Phase out the cover- overs of Federal custom duties, fees, and excise taxes and the Possessions Tax Credit over a five (5) year period.**
3. **Establish economic incentives such as President Reagan's Enterprise zones to help reduce unemployment in all affected areas. (Empowerment zones.)**

**THE UNITED STATES WILL BENEFIT FROM THE POSITIVE EFFECTS OF  
EXTENDING THE FEDERAL INCOME TAX SYSTEM TO PUERTO RICO.**

**1. It will help to balance the budget:**

With the proposal for a Balanced Budget Amendment, the U.S. taxpayer will find some relief when we share the fiscal burdens through our contributions. As it stands presently, there is no relief in sight for the US taxpayer, but with the Contract with America, all U.S. citizens can help carry the load and realize the benefits of a sound fiscal future.

According to the Congressional Budget Office, extending the federal tax code to Puerto Rico would result in more than **\$2 billion** in annual federal revenues. Additionally, the complete phase out of Section 936 tax credit would produce an additional **\$2 billion**, according to the latest tax expenditure estimates of the Joint Committee on Taxation. This would result in a total of approximately **\$4 billion** annually.

The next table shows the amount of federal revenues that will be collected in Puerto Rico in the years 1999 and 2000, after the extension of the federal tax system:

	1999	2000
Total change in Federal revenues from Puerto Rico sources (millions)	<b>\$2,251</b>	<b>\$2,244</b>
New excise taxes	<b>\$395</b>	<b>\$414</b>
Custom duties	<b>103</b>	<b>171</b>
Rum excise tax	<b>265</b>	<b>268</b>
Individual income tax	<b>809</b>	<b>846</b>
Tax on Puerto Rico Corporations	<b>519</b>	<b>545</b>

(Source: Congressional Budget Office, April 1990)

**2. Working families in Puerto Rico, who earn mostly wages would pay lower federal income taxes than their current local tax burden.**

The Puerto Rico taxpayer pays more state income tax than their fellow citizens in most of the other States of the Union. We are not equally treated in the U.S. Budget, so the government of Puerto Rico must levy high local income taxes in order to give services to the people.

Since federal income tax has not been extended to Puerto Rico, the middle class will not benefit from those changes to the tax return proposed by the Contract with America. The extension of the federal income tax system will allow our working families to enjoy the benefits of higher tax credits for children, personal exemptions, and lower tax rates. The Contract's capital gains tax cut would also help spur investments and the economy in the island.

It would also allow Congress to extend the Family Reinforcement Act provisions in the Contract with America to Puerto Rico.

**3. Thousands of high income individuals who now escape taxes legally through tax loopholes in the local tax system would have to pay federal income taxes.**

For example, interest on mortgage backed securities, known as Ginnie Maes, and interest on U.S. Treasury bonds are exempted from local income tax, but not federal income tax. Investors in Puerto Rico earned about \$100 million in interest income on these instruments, and nearly \$1 billion in manufacturing and tourist enterprises which receive partial tax exemption under local income tax laws.

**4. United States taxpayers will be pleased to know that all who benefit from the United States budget, will have to pay their share. " If you play, you pay."**

**5. Puerto Rico's "burden sharing" will restore the dignity of the United States citizens in Puerto Rico.**

**6. It would bring justice to the hard working families who live on wages which are subject to withholding source and who carry the burden of paying for the Puerto Rico budget.**

The burden will be shared by all, as the Internal Revenue Service extends its enforcement power and uncovers the extensive underground economy in Puerto Rico. As loyal American citizens, people will recognize the importance of filing returns. ( Read: Federal liability )

**7. Both the Governor of Puerto Rico, Dr.Pedro Rossello and the Resident Commissioner, Carlos Romero Barcelo Esq., have publicly endorsed this concept.** (See newspaper clipping)

*President Reagan's state's rights conservative agenda got its start in a model block-grant program to Puerto Rico; let's complete the Reagan revolution with full application of the provisions of the Contract with America in Puerto Rico.*

We ask that you include for the record the following studies which are relevant to this testimony.

1. General Accounting Office: "Information on Fiscal Relations With the Federal Government. GAO/T-GGD-95-71. Testimony released on Tuesday, January 31, 1995.
2. Tax Notes International: "Puerto Rico and Section 936: A Costly Dependence", by Tomas Hexnar and Glenn P.Jenkins.

## NATION & WORLD

# Rosselló: 936 isn't a sacred concept

Governor backs 2-year term for island's delegate

By ROBERT FRIEDMAN  
Star Washington Bureau

WASHINGTON — Gov. Rosselló said Saturday he would not oppose the elimination of Section 936 if the federal gov-

ernment comes up with another program "to provide economic and social justice" for the island.

"If it is demonstrated that another mechanism could improve life for the people, then I would be totally in favor of it," the governor said.

He said that his past support of the island's tax-sparing program was never based on the well-being of the 936 corporations, but on the economic and social benefits that island residents derived from it.

"I'm not defending 936, but the people, Section 936 is not a sacred concept," Rosselló said.

The governor made his remarks during a news conference at a hotel here on the opening day of the four-day National Governors Association meeting.

He said extending empowerment zones to Puerto Rico could be one way to replace Section 936. Under that concept, special tax breaks are given to businesses operating in targeted areas. However,

only states are currently eligible for that program.

"The main thing is that the incentives be there to improve the lot of the people," said the governor.

Those incentives, he said, should not be based on whether Puerto Rico is a state or a territory, but on "economic and social needs."

The governor also said he backed a proposal to change the term of the is-

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## LOCAL NEWS

different party than the sitting governor.

"So what?" he said. "That's what happened nationally. That's democracy."

Rosselló said he would not testify Tuesday at a House hearing on the proposal, but would submit his position in writing.

Although he has been listed as a witness, he insisted he was not officially invited to testify before the Native American and Insular Affairs Subcommittee chaired by Gallegly.

The hearing is supposed to take up Gallegly's Omnibus Territorial Act, which contains the resident commissioner changes, and the effects of the Republican Party's Contract With America on the territories.

Rosselló said he had "no problem with the concept" of a balanced

budget, a principle part of the contract. But the governor raised concerns that the budget would be balanced mostly by cutting programs "that will affect the well-being of people."

The House already has passed a bill calling for a balanced budget amendment and the Senate is expected to act on it soon.

Three-quarters of the states would have to approve the amendment before it becomes part of the Constitution.

In a recent study, the U.S. Treasury Department estimated that a balanced budget amendment would mean Puerto Rico would lose more than \$4 billion annually in federal funds, starting in the year 2002, when the amendment would go into effect.

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## 936

land's resident commissioner from four years to two.

He said the proposal, made in a bill filed by Rep. Elton Gallegly, R-Calif., was "consistent with our position that as American citizens we be treated equally."

It is "reasonable," he said, for Puerto Rico's representative in Congress to serve just two years, "as any other representative."

Rosselló said he also supported changing the resident commissioner title to delegate.

He agreed that a two-year term could open the possibility of voters electing a resident commissioner of a

Mr. ENGLISH. Thank you, Dr. Ramirez.

Ms. Smith, if you would testify.

**STATEMENT OF LEOLA SMITH, EXECUTIVE DIRECTOR,  
EMPLOYMENT PROJECT, POOR PEOPLE'S COALITION; AND  
PRESIDENT, NATIONAL UNION OF THE HOMELESS**

Ms. SMITH. Good afternoon, Mr. Chairman and Members of the Subcommittee.

I wear two hats this afternoon. I am president of the National Union of the Homeless that has chapters in 19 cities throughout the country, and truly welfare recipients and homelessness go hand in hand. We already are facing a crisis in our Nation of homelessness. If the Personal Responsibility Act takes effect, it will certainly add to the already existing crisis of homelessness throughout our entire Nation, and truly I think taking welfare recipients off of the welfare rolls is certainly not the answer and will only cause a great deal of poverty and harm that will not only cause homelessness, but will be the suffering of our children.

The other hat that I wear, I am executive director of the Employment Project. I am a city funded agency and I also am funded by the State to provide vocational training for welfare recipients who have been cut off of the welfare rolls and homeless people who are currently residing in the shelter system under a city of Philadelphia contract—and I am formerly homeless. The difference between many other cities and the city of Philadelphia, where I am from—our Mayor Ed Rendell and our former Mayor Wilson Goode did form a partnership, and this time listening to the victims to come up with a comprehensive plan in order of solutions to the problem.

We are also an organization that was very instrumental in providing a comprehensive plan to address the issues. I think this is certainly the way to go in order to solve the problem, and not punish people who are on welfare and who are jobless. On average, I service about 1,500 different individuals, and I know that, providing training with their goals, their hope and their dream is to find employment so they can be off the welfare rolls.

I clearly state to you that the job market is not as potent as you may think. I know, because we have students that come to our training classes in hopes of finding a job, even if it means flipping hamburgers. Welfare was never designed to be a means of life, and I think we all can agree to that. I do not know any client that we have served in any fiscal year, that their food stamps or their medical cash benefits lasted at any given month from month to month. They always ran out by the third week of the month and they were seeking additional food or they have ran out of money in paying their bills.

So if you ask me if welfare is the answer, I can clearly sit here and tell you no, it is not. It never has been, and I do not think it ever will be. If we are going to talk about taking people off welfare, then we ought to talk about formulating job creation. There is no question about that, because the jobs do not exist. If we are going to talk about taking people off welfare, welfare reform to me means that you have something in place of it, and that is not the case by implementing the Personal Responsibility Act.



I think that people are being punished for being poor. I think that we are not being given a fair chance in order to bring ourselves up by the bootstraps, and that there is no comprehensive plan that is put in place to take the place of people coming off welfare. We are addressing a subcommittee today, and I think a committee needs to be formed with welfare recipients throughout this entire country. Who can best tell you what we need than the very people that are involved, and then together we can come up with a comprehensive plan in order to address the issues, rather than just saying that people are going to be cut off.

The State of Pennsylvania, through Act 75 that was implemented in 1982, over 60,000 single so-called able-bodied people were displaced from the welfare rolls. At that point in time, homelessness doubled and tripled, because the job market was not there and, as a result, people ended up losing their homes and were in the shelter system with no place to stay.

So I plead with you to reconsider the Personal Responsibility Act to form a committee where we could meet and sit down, and you can check with our mayor. We have great ideas on addressing the problem, and I think this is the way to go, rather than out and out cutting people off. People are going to die, our children are going to go hungry, and crime is going to escalate. And from what you are paying and trying to take away from a person on welfare, you are going to double and triple the amount of money that you will be paying for a person to be incarcerated.

So I ask you to reconsider the Personal Responsibility Act.

Mr. ENGLISH. Thank you, Ms. Smith.

I would like to thank all of the panelists for the time they have taken to make their presentations. It has been most useful.

I would now like to yield to a couple of the Members on the Subcommittee for any questions they may wish to pose.

Mr. McCrery will inquire.

Mr. MCCREY. I have no questions.

Mr. ENGLISH. Mr. Ford will inquire.

Mr. FORD. Ms. Smith, you do believe that welfare recipients who enter the welfare rolls at some point in time should go into the work force and welfare should not be a way of life?

Ms. SMITH. Yes, I do, because welfare never gave a family or single individual enough money to live on in the first place. When you look at a single individual only receiving \$205 a month, it has never been enough to pay for the necessities of bringing ourselves up by our bootstraps, which means an apartment, food, clothing and being able to see the children—

Mr. FORD. Do you find welfare recipients who are able to work who do not want to go to work? Do you find people on welfare who just want that as a way of life and not to work at all, to be trained and educated to go into the work force?

Ms. SMITH. I think for some. It would be unfair for me to sit here and say all. But I think everybody should not be punished or penalized because of some people that the system say are lazy and do not want to work. However, I think that is where the social service plan caseworkers should implement a plan that every person must follow through and not cut people off.

Mr. FORD. Right now, though, when you walk into a Health and Human Service office to apply for welfare, that case manager or the caseworker that you speak of, there is no type of contract or no type of conversation that the potential recipient enters into with Health and Human Services about job opportunity, about a career or moving that person back into the work force.

Ms. SMITH. I do vocational training, but that does not put food on the table while that person is going through job training. I think that we are punished if we get employment at \$4.25 an hour. Your food stamps are cut, your medical benefits are cut, your cash grant is cut, because you are making \$4.25 an hour.

I would like to propose this plan, because to me this makes sense. I think people should maintain their welfare check, they should perhaps at least for 1 year be eligible for their same entire benefits. They are making \$4.25 an hour, to at least allow that person to maintain both so that they can sustain themselves and be able to get an apartment and to have some timeframe for them to get off the street and up on their feet, and I think that is the way to go. But to cut a person off with absolutely nothing is going to be devastating.

Mr. FORD. Let me go to Mr. Field.

Ms. SMITH. Let us not penalize people. You get penalized if you work, and by the time you average it out, in essence, it does not pay for you to work, when you look at the overall picture.

Mr. FORD. Thank you.

Mr. Field, you spoke of a contract between the recipient and the government as an alternative to the harsh approach of eliminating the aid to children of teen parents. What approach would you endorse, if there is a breach of this agreement that you are talking about? I am trying to see whether or not—

Mr. FIELD. A breach of the agreement on the part of the government or on the part of the individual?

Mr. FORD. On the part of the individual.

Mr. FIELD. Clearly, if anybody breaks the contract, at that point you have to assess first of all whether or not that individual has other needs that are not being addressed and whether or not, especially if they are a parent, if indeed they are capable of carrying out their parental duties and responsibilities. You know, some sanction may have to be imposed.

Mr. FORD. Like what?

Mr. FIELD. I am not so sure, to be honest with you. We do not summarily support taking children away from people. But if a person proves that they are not adequately being able to care for their children or themselves, other approaches may have to be taken.

Mr. FORD. What do you think about the teen parents and the child at home with the mother in some type of supervised home setting? What would you think in terms of group homes?

Mr. FIELD. We are very much for them. Many of our agencies do this kind of work. I know that our agency in Atlanta, for instance, serves about 500 a year.

Mr. FORD. Are they very expensive?

Mr. FIELD. They are not inexpensive, I will put it that way. They are expensive, but they are probably more cost efficient in the long run than trying to let a teenage parent fend for themselves and

struggle and perhaps even do themselves more damage and their children.

Mr. FORD. Thank you, Mr. Field.

Mr. ENGLISH. The gentleman's time is expired.

Mr. Rangel will inquire.

Mr. RANGEL. Thank you, Mr. Chairman.

Let me thank everyone for their testimony, and especially you, Ms. Smith. I hope you put that in writing so that I can get it in the record.

The Contract With America is moving so fast and they have a dateline. Please do not expect that they will be able to include you as a part of that America. They will sit down with each other to see how they can work this out. Basically the theme behind the Contract as relates to welfare is that the Federal Government did not do a good job. Therefore, they did not let anybody else do it. Do not be concerned whether it fails or not, we will monitor them, but we are out of it. It is sad and it is unfortunate. It will not work, but only the poor will suffer while we go through this process.

Let me ask the lady next to you a question. Most of us believe that it is hypocritical to demand work, when there are no jobs or no training for the jobs. I know you agree with that. But some say that if there is no private sector jobs, that the government should make certain that there is a public job available. I gather from your testimony that all of the cutbacks that we are having are in the cities. How do you approach the question of a public job? You and I know that the welfare recipient will be substituting for low-skilled civil jobs or jobs with the city where these people have been laid off because of budget restraints? How do you handle that?

Ms. MEIKLEJOHN. I think the answer is a very complicated one. I think it is very difficult to create any kind of work program, when there are massive cutbacks in the regular work force taking place. If the Contract With America and the balanced budget amendment are passed, there will be additional cutbacks continuing down the line, so that the number of real jobs available that are not part of a welfare system will continue to shrink.

Mr. RANGEL. They say that within 2 years if you do not have a job, that your child does not get any benefits. They do not even accept the fact that the government has to provide the job. But assuming that we take that position, will we get opposition from the union?

Ms. MEIKLEJOHN. The unions believe that if somebody is doing a job for the city of New York in the same way that another worker who is employed by the city, that that person should be treated the same way. In other words, they should have all of the rights and benefits of an employee.

We also think that the city is deriving a benefit from the work the welfare recipient does. And if they invest in that individual by paying them a real wage, the individual will benefit and the city will get much more out of that individual.

We are not opposed to short-term work experience and training programs using city jobs. We are in the process right now in New York City working with the local board of education to try to design a 3-month work experience, workfare-type program to bring people on home relief into school cafeterias. We want to try to create a

labor-management committee which will screen recipients, put them on a job, give them training and, after 3 months, given the vacancy and turnover rate in the schools, they will move into a real job.

So we think that if you are going to use the public sector or any other employer, you need a carefully designed employment strategy, but not a meat ax approach.

Mr. RANGEL. Thank you.

Thank you, Mr. Chairman.

Mr. ENGLISH. Thank you very much. The gentleman's time has expired.

The panel is dismissed. Let me say that the Chair appreciates the time that each of the panelists have taken to share with us. We will have an opportunity for you to submit some additional testimony for the record. We appreciate the time you have taken today to bring your diverse views to this debate, and they have much informed our deliberations.

The Chair will dismiss this panel and bring in a new panel.

Mr. MCCRERY [presiding]. On our next panel, we have Dr. Shonkoff from the American Academy of Pediatrics; Joseph Manes, director of Federal relations for the Bazelon Center for Mental Health Law; Rhoda Schulzinger, cochair of the Social Security task force, Consortium for Citizens with Disabilities; Jennifer Vasiloff, executive director, Coalition of Human Needs; and David Beckmann, president of Bread for the World.

We welcome the panelists. We appreciate your joining us today. We will begin with testimony from Dr. Shonkoff.

#### **STATEMENT OF JACK P. SHONKOFF, M.D., ON BEHALF OF THE AMERICAN ACADEMY OF PEDIATRICS**

Dr. SHONKOFF. Thank you, Mr. Chairman and Members of the Subcommittee.

My name is Jack Shonkoff. I am a pediatrician, and professor of human development and dean of the Florence Heller Graduate School for Advanced Studies in Social Welfare at Brandeis University.

On behalf of the 49,000 pediatricians who are members of the American Academy of Pediatrics, I am pleased to have this opportunity to discuss both welfare reform and SSI eligibility for children.

In the attempt to reform the welfare system, we are reminded of the oath we took as physicians to "first do no harm." Our foremost concern is with the children who will be affected by this proposal. As you know, two-thirds of the Nation's AFDC recipients are children. Even with the current welfare safety net, however, 25 percent of all children under age 6 now live in poverty. Low-income children have poorer health than other children.

For example, they have a higher incidence of low birth weight, asthma, infectious diseases, suicide, homicide and drug abuse. They have lower immunization rates and poorer nutrition. We cannot abandon these children. For their sake and for the sake of our Nation's future, we must break the cycle of poverty.

We encourage efforts to reduce teen pregnancy and promote economic self-sufficiency and parental responsibility for fathers, as

well as for mothers. We agree that it may be appropriate to require young parents to finish school and in some cases to live at home with their parents or in supervised group home settings. But we do not believe that denying welfare payments to children of unmarried teens will reduce teen pregnancy. It would simply deepen the level of poverty for affected families.

Almost all economists and sociologists have found that the amount of welfare payments has an insignificant or no effect on the rate of out-of-wedlock births. And as pediatricians, we know that early parenthood is a complex phenomenon. While no one has a simple answer to preventing teen pregnancy, the evidence indicates that the best approach is to give young people the sense that they have a future. A protected and nurtured early childhood followed by a good education, job training and placement will help.

A strict work requirement alone will not solve the problem. Moreover, without subsidized child care, many children may be forced into substandard, even dangerous child care settings which will further jeopardize their health and development.

We are also concerned about proposals to replace the WIC Program with a block grant to States. WIC participants now receive nutrition and breast feeding education, as well as referral to health care providers. If Federal standards are removed, States could discontinue these health promoting and cost-effective features of the program. In short, we fear that unraveling the Federal safety net by eliminating critical entitlements will jeopardize the well-being of our Nation's poorest and most vulnerable children.

With respect to SSI eligibility for children, we submitted a detailed statement for the hearing last week, but there are several points I would like to underscore. We agree that improvements must be made in this program, but Congress is dangerously close to reversing policies and abandoning programs that enable children with disabilities to achieve levels of independence they would otherwise be denied.

More than 80 percent of children receiving SSI benefits have severe physical and/or mental disabilities, including conditions such as leukemia, spina bifida, cystic fibrosis, significant mental retardation, schizophrenia and autism. SSI payments are critical to eligible families who have low incomes and increased out-of-pocket expenses.

The Academy urges extreme caution in adopting quick fix simple solutions to complex SSI problems. Simply terminating entitlements, ending cash payments and eliminating assessment tools is not the solution.

The newly enacted Commission on Childhood Disabilities, which will meet tomorrow, has been charged with critically reviewing SSI and providing recommendations by November 1995. This bipartisan commission provides the avenue for addressing the specific concerns of Congress.

The academy also urges consideration of the following: First, developing mechanisms for disability review for children and adolescents that will encourage many to come off the SSI rolls; second, exploring whether it is possible to define broad categories of condition and provide different benefit levels for these different categories; and third, developing incentives to enable, rather than dis-

able, by phasing in benefit decreases over time as a child's condition improves, continuing health benefits after discontinuing cash payments, and assuring maintenance of benefits during key developmental periods, such as adolescence and the transition to adulthood.

The welfare of America's children and families is of critical importance to the Academy. We do not pretend to have all the answers. We do know, however, what children need to develop into healthy and productive members of society, and are extremely concerned that these basics will be taken away from millions of children if some of the current proposals are enacted.

The Academy offers our assistance in helping to craft the most equitable and responsible approach to address the needs of children and families. I would be happy to answer any questions you might have on any of the topics I have discussed.

Thank you very much.

[The prepared statement follows:]

**TESTIMONY OF JACK P. SHONKOFF, MD, FAAP  
AMERICAN ACADEMY OF PEDIATRICS**

Mr. Chairman, Members of the Subcommittee, my name is Jack Shonkoff, MD. I am a pediatrician and the Dean of the Florence Heller Graduate School for Advanced Studies in Social Welfare at Brandeis University in Waltham, Massachusetts. I was also the Chair of a National Advisory Committee to the Center on Hunger, Poverty and Nutrition Policy at Tufts University that studied the empirical evidence related to welfare reform issues. The results of that study were issued on January 25.

Thank you for the opportunity to present this testimony today on behalf of the 49,000 pediatricians who are members of the American Academy of Pediatrics. I will discuss both welfare reform and eligibility for the Supplemental Security Income (SSI) program.

*Welfare Reform*

The American Academy of Pediatrics fully shares the goals of welfare reform -- promoting the economic self-sufficiency of families, personal responsibility in child bearing and child rearing, and the wise expenditure of scarce public funds.

We especially support the need to address long overdue reforms associated with our welfare system that affects the lives of our youngest citizens and our vulnerable adolescents. Our children are a declining segment of our society. If we are to have a competitive workforce, we simply cannot afford to lose any of them. That is why the pediatric community views this public forum both as an opportunity and a responsibility to help shape pragmatic policies to help families be families.

In the attempt to reform a system as complex as this one, we are reminded of the oath we took as physicians to "first, do no harm." As pediatricians, our first and foremost concern is with the child who will be affected by this proposal. There are no easy answers, but there are answers, if all interested parties work together to fashion practical solutions. In the spirit of cooperation, I would like to point out some of the areas in which we have concerns.

To understand the problems, let's look at the faces and the environment of the children in need of the welfare system. Since the early 1970s, the poverty rate among children has steadily increased. Between 1987 and 1992, a staggering one million more young children became poor. As you know, two-thirds of the nation's AFDC recipients are children. Even with the current welfare safety net, however, 25 percent of all children under age six, or six million children, now live in poverty. Most are the children of working parents.

Low-income children are more likely to live in dangerous neighborhoods and have a higher incidence of low-birth weight, asthma, infectious diseases, out-of-wedlock births, and exposure to lead than other children. They have lower immunization rates, poorer nutrition, and are more likely to attend below-average schools than non-poor children. As teens, low-income children have higher rates of suicide, drug abuse, and violent injuries and deaths, including homicide, than their more well-off counterparts.

We cannot abandon these children. For their sake, and the sake of our nation's future, we all want to break this cycle of poverty and dependence on welfare. How can this be done?

Unfortunately, we cannot supply you with an easy answer. We know that children generally do best in a two-parent family, with adequate health care, nutrition, and financial security. Therefore, we encourage efforts to reduce teen pregnancy and promote economic self-sufficiency and parental responsibility -- for fathers and well as mothers. We agree that it may be appropriate to require young parents to finish school, and in some cases, to live at home with their parents or, if that is not possible, in supervised group home settings.

With respect to the incidence of out-of-wedlock pregnancy, almost all economists and sociologists have found that the amount of welfare payments has an insignificant or no effect. And as practitioners serving teens, we know that part of adolescence is to engage in risk-taking behavior, and that early unprotected sex and early parenthood result from numerous

and complex factors. Thus, we are concerned that withholding AFDC payments to children born to unmarried teenage mothers will not have a significant impact on the rate of teen pregnancy, but would simply deepen the level of poverty for affected families.

While no one has a simple answer to preventing teen pregnancy, the evidence indicates that the best approach is to give young people a sense that they have a future. A protected and nurtured early childhood, followed by a good education, job training and job placement will help. A strict work requirement alone, like that in the Personal Responsibility Act, will not solve the problem.

In practical terms, what will it mean to a young mother and her child if the mother is forced to work? We cannot assume that she will have a mother or grandmother who can care for her child. On the wages that most teen parents can expect, it will be very difficult to find high-quality, affordable child care. Consequently, the children of parents required to work may be forced into substandard -- even dangerous -- child care settings where they will not receive the attention and stimulation necessary for healthy emotional and intellectual development.

Among other aspects of the Personal Responsibility Act and other welfare reform proposals, we are also concerned about proposals to replace the WIC program with a block grant to states. Currently, approximately 6.5 million pregnant women, infants, and young children receive WIC benefits because they are at risk for poor nutrition. Pursuant to federal standards, WIC participants receive nutrition and breastfeeding education and referrals to health care providers. As a result, WIC has succeeded in reducing low-birth weights, thus saving money in the Medicaid program; increasing immunization rates; and promoting breastfeeding, which is not only cost-effective but prevents or moderates health problems for infants and young children. If WIC is replaced with a block grant program, and federal standards are removed, some states may simply give needy families a little extra cash and a brochure on good eating habits. It seems counterproductive to dismantle a program that has been shown to save money as well improve lives.

In short, we fear that unraveling the federal safety net by eliminating entitlements to cash assistance, nutrition programs, child care for at-risk families, and other programs, will jeopardize the well-being of our nation's poorest and most vulnerable children -- one-fourth of our future workforce.

We do not pretend to have all the answers. We do know, however, what children need to develop into healthy and productive members of society and are extremely concerned that these basics will be taken away from millions of children if some of the current welfare proposals are enacted.

#### Supplemental Security Income (SSI) Program Eligibility

Over the last year or so, much attention has been given to the extraordinary growth in the number of children receiving SSI benefits, allegations that children are being encouraged to feign behaviors in order to qualify for assistance, and the concern that some parents are not using the cash benefit to help their children.

The SSI program is not without flaws. Improvements can and must be made in this program. But Congress is walking dangerously close to reversing policies and abandoning programs that provide opportunities for children with disabilities that enable many of them to achieve levels of independence they would otherwise be denied.

The dramatic increase in the number of children on SSI is mainly related to the 1990 Zebley Supreme Court decision and the expansion of the mental health listings by the Social Security Administration (SSA), also in 1990. As a result, the rolls of children on SSI increased from 275,000 in 1989, to almost 856,000 by mid 1994. Nevertheless, this is fewer than the number of children that the American Academy of Pediatrics had predicted would be eligible as a result of these changes.



Most children receiving SSI benefits have severe disabilities. About 40 percent have severe physical disabilities, conditions like leukemia, spina bifida, cystic fibrosis, and major heart abnormalities. Another 40 percent have significant developmental retardation, based on a very stringent threshold. The other 20 percent have other mental impairments, including childhood autism or schizophrenia, as well as Attention-Deficit Hyperactivity Disorder (ADHD) and related conditions.

SSI payments are critical to families who have a child with a significant physical or developmental disability because such families have increased costs and decreased income. Though public or private health insurance covers many medical care costs, many additional costs must be paid out-of-pocket. Furthermore, SSI benefits help to diminish dependence on other institutions and reduce the likelihood that children with severe disabilities will be placed in long-term care institutions at much higher costs.

The Academy urges extreme caution in adopting quick-fix, simple solutions to complex SSI problems. Unquestionably, a thoughtful and comprehensive review of the current SSI program is the most effective and responsible approach to addressing fiscal and policy issues. Simply terminating entitlements, ending cash payments, and eliminating assessment tools is not the solution.

The newly enacted Commission on Childhood Disabilities, which will meet on February 3, has been charged with critically reviewing SSI and providing recommendations by November 1995. This bipartisan commission provides the avenue for addressing the specific concerns of Congress.

In addition to the Congressional charge for the Commission, the Academy urges consideration of the following:

- 1) Developing substantial ongoing efforts of disability review for children and adolescents that will encourage many children to come off the SSI rolls;
- 2) Exploring whether benefits should reflect need. Although case-by-case determination of benefits may be administratively impossible, it is possible to define broad categories of condition and provide different benefit levels for these different categories; and
- 3) Developing incentives to enable rather than disable. Opportunities to improve the system include efforts to phase benefit decreases over time as a child's condition improves, to continue health benefits after discontinuing cash payments and to assure maintenance of benefits during key developmental periods, such as adolescence and the transition to adulthood.

The welfare of America's children and families is of critical importance to the Academy. As Congress continues to debate social reforms and begins drafting legislation, the Academy offers our assistance in helping craft the most equitable and responsible approach to address the needs of children and families.

I would be happy to answer any questions you might have on either of the topics I've discussed. Thank you.

Mr. McCRERY. Thank you, Dr. Shonkoff. I appreciate your staying within the 5-minute time that we have allotted.  
Next is Joseph Manes.

**STATEMENT OF JOSEPH MANES, DIRECTOR, GOVERNMENT RELATIONS, BAZELON CENTER FOR MENTAL HEALTH LAW**

Mr. MANES. Thank you, Mr. Chairman.

I am Joseph Manes, director of government relations at the Bazelon Center for Mental Health Law. Since its founding in 1972, the Bazelon Center has been a nonprofit legal center advocating for the rights and dignity of children and adults with mental impairments.

We seek as part of our objectives effective community-based alternatives to institutional care for low-income adults and children with mental impairments. The SSI Program plays a vital role in keeping people out of institutions. The monthly check enables people who are elderly and particularly adults with severe disabilities to pay for stable living arrangements from which they can participate in community-based treatment and training programs.

The 6.2 million people who receive SSI live at the margin. SSI is their program of last resort. It fills in only to the extent that all other sources of income and support have failed. It truly meets the definition of a safety net. The 2 million aged beneficiaries on SSI are people who have never worked in jobs covered by Social Security, for example, domestics and farmers, or only recently covered by that program, or low-income wage earners who get a meager Social Security benefit which SSI supplements. For two-thirds of the elderly SSI benefits supplement their Social Security benefits.

Adult applicants who claim disability or visual impairment in addition to meeting stringent income and resource limits must demonstrate that they are unable to work at any job in the national economy because of physical or mental impairments that are expected to last at least 12 months or result in death. The SSI test of disability for adults is more stringent than the test for most other disability programs, public or private, which use inability to perform current work as the individual standard of disability. There are 3.3 million adults today that receive SSI.

For children to be eligible, they must also have severe physical and mental impairments that substantially limit their ability to develop or perform life's activities, talk, walk, play and learn, for example. Despite its growth in recent years, only one in nine of all school-age children in special education qualify for SSI.

Mr. Chairman, we do not expect people who are poor or elderly or disabled or blind to be totally exempted from efforts to balance the budget. We do, however, want to emphasize the consequences of the type of reductions proposed in the Personal Responsibility Act on this population.

The provisions of the PRA that deal with SSI have been inadequately examined. The PRA would cap total SSI spending beginning in 1995. The rules for establishing the cap guarantees that there would not be enough money to cover everyone now on benefits and new applicants. The cap would cut spending by an estimated \$2 million initially, and then the cut would grow rapidly each year thereafter. To achieve such substantial reductions, Con-

gress would have to drastically change both the program's eligibility rules and benefit levels.

If people cannot qualify for the program or are dropped from the rolls, we can expect increases in the use of institutional care for people who lose their housing and are forced onto the streets or into unneeded and expensive institutions, and increase State taxpayer costs, as States try to make up for the cuts in Federal SSI. Even if they do nothing, State costs of care in institutions and emergency assistance will increase.

Almost everyone dropped from SSI or not granted benefits would also be denied Medicaid coverage. Without Federal Medicaid matching funds, State and county health facilities would bear the full costs of treatment.

We urge the Committee not to endanger the lives and fragile existence of millions of people for whom SSI is a lifeline by across-the-board spending cuts. Program reductions should be addressed surgically by tightening the program's administration to insure that only people who qualify get benefits and to regularly evaluate those who do to determine if they are still disabled.

Congress should improve the work incentives rules to allow people to keep a greater part of their SSI benefits and their Medicaid coverage while, despite their disability, they try to work.

Mr. MCCRERY. I am sorry, we are going to have to move on. We certainly will take your full testimony for the record.

Mr. MANES. Thank you.

[The prepared statement follows:]

**Subcommittee on Human Resources of the  
House Ways & Means Committee**

**Hearing on Personal Responsibility Act  
February 2, 1995**

**Testimony of Joseph Manes,  
Bazelon Center for Mental Health Law**

Thank you, Mr. Chairman. I am Joseph Manes, Co-director for Government Relations at the Judge David L. Bazelon Center for Mental Health Law. The Bazelon Center has been, since its founding in 1972, a nonprofit legal center advocating for the rights and dignity of children and adults with mental disabilities. We are funded principally by private foundations and donors.

We seek, as part of our objectives, effective community based alternatives to institutional care for low-income adults and children with mental impairments. The SSI program plays a vital role in keeping people out of institutions. The monthly check enables people with severe disabilities to pay for stable living arrangements from which they can participate in community-based treatment and training programs.

The 6.2 million people who receive SSI live at the margin. SSI is their program of last resort. It fills in only to the extent all other sources of income and support have failed. It truly meets the definition of a safety net. Adult applicants who claim disability or visual impairment, in addition to meeting stringent income and resource limits, must demonstrate they are *unable to work at any job in the national economy* because of physical or mental impairments that are expected to last at least 12 months or result in death. The SSI eligibility test is more stringent than the test for most other disability programs, public or private, which use inability to perform *current work* as the individual's standard of disability.

For children to be eligible, they must also have severe physical or mental impairments that substantially limit their ability to develop or perform life's activities--talk, walk, play and learn, for example. Despite its growth in recent years, only one in nine of all school age children in special education qualifies for SSI.

Mr. Chairman, we do not expect people who are poor and elderly or disabled or blind to be totally exempted from your efforts to cut federal spending as you move toward a balanced budget. We do, however, want to emphasize the consequences of the type of reduction proposed in the Personal Responsibility Act for this population.

#### CONSEQUENCES OF THE PERSONAL RESPONSIBILITY ACT

The PRA would cap total SSI spending beginning in October 1995. The rules for establishing the cap guarantees that there would not be enough money to cover everyone now on benefits and new applicants. The cap would cut spending by an estimated \$2 billion initially, with the amount of the cut growing rapidly each year thereafter. To reach a balanced budget by 2002, many observers have estimated SSI would have to contribute cuts of 20-25% from the amounts it otherwise would spend. To achieve such substantial reductions, Congress would have to change drastically both the program's eligibility rules and benefit levels. If people cannot qualify for the program or are dropped from the rolls, we can expect the following consequences:

- ◆ **More homeless individuals and families.** Without SSI, many individuals and families whose living arrangements depend on SSI could lose the housing from which they are trying to stabilize and rebuild their lives.

- ◆ **More use of institutional/foster care.** Without the ability to pay for housing, people who are mentally ill or mentally retarded will be forced into unneeded and expensive institutional care. Families unable to care for their children with disabilities would have to give them over to foster care.

◆ **Higher state taxpayer costs.** Some states would make up the cuts at considerable cost to their taxpayers. Even states doing nothing would still have higher costs for foster care, institutions and emergency assistance. Almost everyone dropped from SSI or not granted benefits would also be denied Medicaid coverage. Without federal Medicaid matching funds, state and county health facilities would bear the full cost of treatment.

We urge the Committee not to endanger the lives and fragile existence of millions of people for whom SSI is a life line by across-the-board spending cuts. Program reductions should be addressed surgically by tightening the program's administration to ensure that only people who qualify get benefits and to regularly evaluate those who do, to determine if they are still disabled. Congress should improve the work-incentive rules to allow people to keep a greater part of the SSI benefits and their Medicaid coverage while, despite their disability, they try to work.

#### CHILDREN WITH DISABILITIES ON SSI

The Subcommittee on Human Resources heard testimony last Friday, January 27, from the mother of a severely involved 6-year old girl, Allison. Her story wrenched the heart of everyone in listening range. If hers were the only information the Committee received, SSI benefits for children would get a resounding endorsement. However, the Committee also heard a Louisiana state official involved in making disability determinations testify that many applicants for SSI benefits did not merit them. (The witness was unable to say that any child in Shreveport was receiving benefits fraudulently). Members of the Subcommittee have also received letters alleging that children with only "mild" disabilities are receiving benefits. Mr. McCrery of the subcommittee and Mr. Kleczka of the full committee are developing a proposal that would totally revamp the existing program by changing the eligibility standards and converting the cash benefit into services.

There is no comprehensive evidence to verify the allegations of fraud and abuse in the children's SSI program. On the other hand, there is a study by SSA concluding that alleged efforts by parents to coach their children to "act up" in school, do poorly on tests and fail subjects and "malingering" at SSA ordered psychological examinations don't work.

Advocates for children with disabilities do not want to witness the demise of a program vital to the lives of hundreds of thousands of children because of allegations some parents ripping off the program or because SSA is lax in enforcing eligibility criteria. However, we do not concede that the problems are so universal the entire program needs to be restructured as Congressmen McCrery and Kleczka recommend.

Let me suggest to the sub-committee that you act to curb alleged excesses and abuses in the program but that you withhold action on eligibility standards and questions of cash payments vs services until research and objective analysis which Congress has set in motion is completed.

We strongly urge the Subcommittee not to exchange the cash benefit for services or to require major alterations in the eligibility standards until the Commission on the Evaluation of Disability in Children reports its findings to you in November, 1995. The Children's Commission will examine issues vital to the future of the SSI program: the appropriateness of the definition of childhood disability, the validity of the standards used to establish childhood disability, the feasibility of providing benefits to children through noncash means, the extent to which SSA should use private educational and vocational agencies to foster independence in children and promote their ability to work. These are extremely important questions to which expert and objective answers should be obtained before legislating. To legislate in these areas without the report of the Commissions could be a tragic mistake for thousands of families that depend on SSI benefits to keep their families together and their children out of institutions.

In the meantime, the Subcommittee could take the following actions:

One, **require SSA to establish an office of program integrity with adequate staffing and authority to investigate and deal with allegations of fraud and abuse in the children's SSI program.** Last year in the Independent Agency Act, Congress raised fraud from a

misdeemeanor to a criminal felony and established a \$5000 civil penalty for anyone who makes or causes to be made false or misleading statements in order to receive Social Security or SSI benefits. With adequate penalties in place, a centralized investigative unit operating through the regional offices can eliminate fraud and restore public confidence in the program.

**Two, require SSA to examine the areas of the country where approvals are significantly higher than average and report to Congress on actions it is taking to eliminate quality assurance problems in the disability determination process.** Neither the medical listings nor the individual functional assessment (IFA) are intended to permit children with mild disorders qualifying eligible for SSI. The SSA study of 617 random cases reported that 8.6 percent of the allowances should have been denials and that in 27.7 percent of the allowances, while correct, additional information should have been obtained before the examiner reached a decision. The study, while supporting the conclusion that "coaching" and "malingering" were insignificant factors in the program, did indicate that greater attention needs to be devoted to the quality of the disability determination process.

**Three, require SSA to establish and carry out a fair and consistent review of children on the SSI roles whose medical improvement is expected or possible.** Current law requires such a review when the child turns 18. While SSA has established a review schedule for earlier ages, it has not actually undertaken the reviews. Congress can mandate that SSA perform an annual review on the medical and functional status of any child whose condition is considered temporary and a three-year review cycle for children whose recovery is considered possible.

**Four, establish a "family cap" on benefit payments to multirecipient families.** A March 1994 SSA study, based on a 5 percent sample, found 3500 to 4000 families in the nation in which 4 or more disabled adults and children or 4 or more children with disabilities in a family receive SSI benefits. To correct this situation, Congress could place a limitation on payments to families in which more than three members receive SSI benefits by reducing any benefits beyond the first three by 50 percent. The reduction would recognize that families with several children with severe impairments incur higher costs, but that some major costs (e.g. housing), are relatively fixed regardless of the number of family members.

#### **Conclusion:**

Mr. Chairman, everyone ages. We all share the risk of becoming disabled. These conditions transcend gender, race, geography. People who are also poor require the assistance of a compassionate society to meet their basic needs of life.

SSI effectively enables low income people who are elderly or who have severe disabilities or a chronic illness to buy food, clothing and shelter without undue government interference. It is a major bulwark against homelessness, institutional care and family breakup. Congress should carefully consider the consequences of damaging a safety net that is vital for millions of individuals and families.

Mr. McCRERY. Thank you, sir.  
Ms. Schulzinger.

**STATEMENT OF RHODA SCHULZINGER, COCHAIR, SOCIAL SECURITY TASK FORCE, CONSORTIUM FOR CITIZENS WITH DISABILITIES**

Ms. SCHULZINGER. Thank you, Mr. Chairman.

I am here in my capacity as cochair of the Social Security task force of the Consortium for Citizens With Disabilities, known as CCD. CCD opposes any effort to remove the entitlement status of the Supplemental Security Income Program and to cap it. We believe that capping the SSI Program, which is by law a program of last resort, would undermine the well-being of 6 million of our society's most vulnerable members, low-income people who are elderly or unable to work because of severe disability.

We are also deeply concerned about the future of the Children's SSI Program. We unequivocally support the continuation of the SSI Program as a cash benefit to qualifying children who have severe physical or mental disabilities. Without SSI cash benefits, many families will simply not have the resources to care for their children with severe disabilities at home. Some families will be forced to surrender custody to State foster care systems or into institutions to guarantee proper care for their children. Greater assistance from State programs will increase State taxpayer costs.

Congress intended SSI benefits to pay for food, clothing, shelter and other basic needs for qualified low-income children with severe disabilities. Families raising children with severe disabilities report higher costs from extraordinary out-of-pocket expenses related to the child's disability. Many families use cash SSI benefits to offset their loss of income because a parent must remain unemployed or only work part time to care for the child.

Under the current program, medical documentation must be presented about the severity of a child's impairment to begin the application. Before making a decision, the disability examiner must review all available information about the child's ability to develop or function in an age-appropriate manner in multiple areas of childhood activities. When there are inconsistencies in the evidence, the examiner must get more information.

We believe that if State disability examiners are properly implementing the program's legal standards, children with minor disabilities should not be found eligible. In investigating allegations about program abuse, the GAO found that 70 percent of all awards went to children whose impairments were severe enough to qualify on the basis of the medical standards alone. SSA investigated allegations about parental coaching, and found that no awards were made on the basis of questionable test results. Furthermore, SSA implemented safeguards to protect the integrity of the children's program.

We support vigorous action to eliminate abuse when it is found. We recognize that several Subcommittee Members question whether the individualized functional assessment known as the IFA is an appropriate way to make eligibility decisions. We unequivocally endorse the IFA as a critical part of the childhood disability determination process.

All childhood disabilities cannot be defined in strictly black and white medical terms. For some childhood disabilities, a diagnosis by itself does not indicate the full extent of the child's functional limitations, and other children have a combination of severe disabilities, but no single condition which meets the medical criteria for one specific listing. Eliminating the IFA is a sweeping proposal that will deny benefits to children whose combination of conditions or whose functional limitations make them severely disabled.

We do believe that with appropriate enforcement, SSA can reduce the possibility of fraudulent awards to children who do not have qualifying severe disabilities. We also support the work about to begin by the commission which you have just heard about. The commission meets tomorrow for the first time, and we believe that Congress should not make any major changes until the commission submits the study requested by Congress that is due November 30.

In the interim, we recommend three things for you to consider: First, is the area of continuing disability reviews. We believe that it is appropriate to evaluate children when there is the possibility or the expected hope of medical improvements. Second, we believe that enforced monitoring and enforcement by SSA is necessary. This would require increased monitoring and training of State disability examiners regarding all aspects of the eligibility process, including the IFA and improved notification to representative payees.

Thank you very much.

[The prepared statement follows:]



## **STATEMENT OF RHODA SCHULZINGER CONSORTIUM FOR CITIZENS WITH DISABILITIES**

The Consortium for Citizens with Disabilities (CCD) is a coalition comprised of more than 120 national consumer, advocacy, provider and professional organizations which advocate on behalf of our nation's 49 million citizens of all ages with physical and mental disabilities and their families. Working through task forces, CCD works on federal policy issues in a number of areas including budget and appropriations, education, employment and training, health care, housing, long term services and supports, income maintenance, rights, technology and transportation.

CCD unequivocally supports the continuation of the Supplemental Security Income (SSI) program as a cash assistance program to provide basic income for low-income children who have severe disabilities or chronic illness or who are blind. We believe that the SSI program for children is extremely important because it encourages low-income families to stay together and reduces the need for more costly out-of-home institutionalization. The cash assistance program is founded on the principle that families should be empowered to decide how to best meet the needs of children with severe disabilities.

The Consortium believes that the strength of the SSI program is that the cash benefit encourages lower-income families to stay together in order to help their children gain the greatest possible independence as adults. The program's premise is that families can best decide how to meet their own children's needs.

If eligible children lose their SSI cash benefits, many families will simply not have the resources to care for them at home. They would turn to state and local governments for more assistance. Without the federal benefits that parents now spend on behalf of their children, state costs to serve children with severe disabilities would inevitably escalate. As an especially tragic consequence, some families would be forced to surrender custody to guarantee proper care for their children, either through the foster care system or in state institutions at a higher cost to taxpayers.

Our testimony answers five basic questions about the children's SSI program and recommends steps to consider that will improve the program's operation:

1. What is the purpose of the children's SSI program?
2. Who qualifies for children's SSI benefits?
3. What is the disability determination process for a child to prove eligibility?
4. Why is cash assistance critical for eligible families?
5. Why have the children's SSI applications increased over the past few years?

### **1. WHAT IS THE PURPOSE OF THE CHILDREN'S SSI PROGRAM?**

Congress intended SSI benefits to pay for food, clothing and shelter for qualified low-income children with severe disabilities and children who are blind. The cash payment recognizes the family's wisdom and responsibility to make decisions about how to best spend benefits on behalf of an eligible child.

Families raising children with severe physical, developmental or mental disabilities have higher expenses and often have less income. Although public or private health insurance covers some medical costs, families face extraordinary additional out-of-pocket expenses related to the child's disability which continue throughout the lifetime of the child. The needs of a child with a severe disability frequently require a parent to remain home and forego paid employment. Some parents remain underemployed by taking a part-time job to have more time at home. Other parents must refuse better job offers to protect current health benefits or remain in a school district that has the necessary services for their child. All these factors decrease family income in both one and two-parent households.

## 2. WHO RECEIVES CHILDREN'S SSI BENEFITS?

To be eligible for SSI, a child must meet two sets of eligibility criteria: financial and disability. Only **after** the child is found financially eligible does Social Security consider whether the child is blind or whether the child's disability or chronic illness is severe enough to qualify.

In June 1994, 68 percent of eligible children received the maximum federal payment of \$446 and almost another six percent received 90 to 98 percent of the maximum federal benefit. This means that almost three-quarters of the children receiving SSI benefits were living in very low-income families because in a means-tested program, people with the lowest income receive the highest benefits. Benefits are also available to qualifying children whose families fall out of the middle-class mainstream when disability strikes. The extra expenses they incur and the income they forfeit when a parent must stay home to care for a child with severe disability make them financially eligible for SSI.

Families apply for SSI for their children not only for the cash assistance, but also because in most states, children who qualify automatically receive medical assistance through Medicaid. These families depend upon Medicaid for health coverage for their children with severe disabilities because currently, many of these children do not qualify for any private health insurance because of their pre-existing conditions or because their parents work for employers who do not provide health insurance.

In June 1994, almost 850,000 children received SSI benefits because they were blind or disabled. Children with **mental retardation** were the largest single group, representing about **44 percent of the enrollment**, while another 34 percent have physical disabilities and 22 percent have mental disorders.

## 3. WHAT IS THE DISABILITY DETERMINATION PROCESS FOR A CHILD?

### Medical Proof

Medical documentation must be presented about a child's **severe medical or psychological impairment** to begin Social Security's disability review process. The impairment must be identical or equivalent to one appearing on a specific list of qualifying impairments or must significantly interfere with the child's ability to develop or function in an age-appropriate manner in multiple areas of normal childhood activities. The disability examiner is required by law to evaluate each application to document whether benefits should be awarded or denied.

Recent allegations suggest that children are qualifying who do not have severe disabilities. However, the General Accounting Office investigated and found that 70 percent of all awards went to children whose impairments were severe enough to qualify on the basis of the medical standards alone without any consideration of their functional limitations.

### Functional/Developmental Documentation

The disability examiner must also consider functional information from people who observe the child over a period of time such as parents, social workers, child care providers, clergy and school personnel. By collecting evidence from many sources, the examiner can verify the extent of a child's disability or chronic illness.

### Comprehensive Decisionmaking

To make a decision, the disability examiner is required to review all available information about the child's daily functioning. Any test results must be consistent with other evidence about the child's daily behavior and activities. If there are

inconsistencies, the examiner must get more documentation to resolve the differences. Social Security provides on-going training and guidance to the state disability examiners to ensure that they are properly implementing the legal requirements of the disability procedure.

#### Coaching Allegations

It is nearly impossible for children to feign disabilities to qualify for benefits. The severity of a child's disability must be so fully documented that children with minor physical or behavioral problems cannot qualify for SSI. However, allegations have been made that parents coach their children to "fake" a mental disorder, do poorly on tests or act out in school.

The only thorough investigation of such allegations was conducted by Social Security's Office of Disability. It reviewed more than 600 randomly selected files of children with behavioral disabilities and did not find one case of alleged coaching that resulted in a benefit award. Possible coaching was present in only 13 of the 617 cases; 10 of these claims were denied and the other three children received awards on the basis of evidence other than the questionable tests. Furthermore, SSA cautioned in their report that the special sample of behavioral disorders cannot be considered representative of the entire SSI childhood population or even of SSI children with other mental disorders.

In addition to its study, Social Security has added safeguards to protect the program's integrity amidst the continuing allegations of coaching. There is a toll-free telephone number for concerned professionals to make anonymous reports about families they suspect are coaching their children. There is also a procedure for state disability examiners to report any suspicions of coaching. Designated staff at Social Security headquarters investigate all such allegations. With appropriate enforcement, the agency can reduce the possibility of fraudulent awards. It is neither sound public or fiscal policy to impose an intrusive bureaucratic paper machine upon families and tremendously increase the cost of government for almost 850,000 families when there is no exact knowledge of how many families are actually abusing the program.

#### **4. WHY IS CASH ASSISTANCE CRITICAL FOR ELIGIBLE FAMILIES?**

Families report using their children's benefits for a variety of higher-than-average daily expenses as well as the special expenses related to the child's severe disability. The cash assistance helps parents meet the changing needs of a child with a severe disability, helping him or her to learn and gain the greatest possible independence as an adult without trying to deprive other family members of their respective need to grow and learn. Often the SSI benefit is the only money available to families to purchase the multiple items and services that meet the child's complex needs. Families report using their children's SSI benefits for the following types of expenses:

- o utility bills (electric bills for 24 hour/day respirators, rental costs of back-up generators to prevent power lapses, battery charges for communication devices or power wheelchairs, water bills for above average bathing and laundry usage)
- o telephone calls to medical providers, pharmacists, social service providers and schools
- o specially trained child care providers since neighborhood babysitters are often unable or unwilling to care for children with disabilities
- o respite care
- o personal assistance services (including wages and taxes)

- o public or private transportation costs for numerous trips (often long distances in rural areas) to obtain medical treatment and services
- o adapted clothing (e.g. buttons replaced with velcro fasteners, specially fitted shoes, modified openings or specially designed clothing for persons with limited movement)
- o clothing, laundry and household cleaning supplies (e.g. children who require frequent clothing changes or whose disability requires more frequent household cleaning)
- o specially equipped vehicles to transport children who use wheelchairs
- o home repairs (e.g. special safety equipment such as protective coverings for kitchen appliances, extraordinary wear-and-tear from wheelchairs)
- o home modifications/adaptations including environmental control equipment (e.g. widen doorways, change doorknobs to levers, add ramps, modify controls & switches, install bathroom railings and special bathing and toileting equipment)
- o service and repairs for assistive technology (e.g. power wheelchairs, prosthetics, hearing aids)
- o adapted toys and learning materials (e.g. special tricycle for a child with a physical disability)
- o assistive technology for school homework (e.g. computers with voice output, touch screen or modified keyboard)
- o special telecommunication services/devices (e.g. TTY)
- o co-payments and deductibles for routine medical visits, specialty consultations, medication, biological products, physical/speech/ occupational therapy, orthotic devices and wheelchairs customized for children not covered by Medicaid, private insurance or school districts
- o over-the-counter items not customarily paid for by public or private insurance such as special creams for skin conditions, diapers for older children, wigs, special formulas for managed diets
- o family support services

Many families use cash SSI benefits to partly offset their loss of income because a parent must remain unemployed or only work part-time to care for the child with a severe disability. In summary, it is very often the case that families spend over \$100 each week for the specialized goods and services that their children with severe disabilities require, readily absorbing the full SSI monthly payment.

##### **5. WHY HAVE CHILDREN'S SSI APPLICATIONS INCREASED RECENTLY?**

A number of events over the past few years explain the increase in children's SSI applications. The recession of the early '90s increased the economic stress on families. More families whose children had severe disabilities lost income and their children became financially eligible for benefits. Also, the number of children living in poverty is the highest in almost 30 years.

Congress, in 1989, directed the Social Security Administration (SSA) to conduct outreach, for the first time, to potentially eligible families with children who have severe disabilities to encourage them to apply for benefits. The next year, SSA published and began to implement new rules for children with mental and emotional disabilities. The

new rules were designed with help from a panel of experts convened by Social Security that included child development specialists, psychiatrists, educators, mental health advocates and agency staff. The old standards had not reflected current definitions and diagnoses of mental disorders. SSA's use of new and more realistic standards enabled more children with severe mental impairments to qualify for benefits.

The U.S. Supreme Court issued its decision in 1990 in the Zebley v. Sullivan case requiring SSA to change its childhood disability determination process to evaluate the child's level of functioning in addition to his or her medical condition. Members of the expert panel advising Social Security as the agency developed the new childhood disability process estimated that over 1 million children would meet financial and disability criteria. Part of the Zebley case required Social Security to notify 452,000 children who were illegally denied benefits between 1980 and 1990 that they had a right to have their cases reevaluated. The agency ultimately reinstated and paid back benefits to 135,000 children who had been illegally found ineligible. By court order, SSA was told to notify all class members by letter and also to do public service announcements and national outreach to potentially eligible children.

To augment Social Security's outreach efforts, several major foundations funded the Children's SSI Campaign coordinated by the Bazelon Center for Mental Health Law, a CCD member organization. The campaign worked with state agencies, advocates and professional groups across the country to notify potentially eligible families about changes in the SSI program and how to apply.

Both Social Security and the Children's SSI Campaign publicized new financial eligibility rules, issued in November 1992, that calculate the financial eligibility of working families more equitably than before. Thousands of children whose parents are employed who were previously denied because they were over the income limits are now eligible for this means-tested program.

## RECOMMENDATIONS

The expected and predicted growth of the children's SSI program has prompted some extremely negative unsubstantiated stories about families allegedly abusing SSI benefits. Amidst the allegations, there has been virtually no attention to legitimate questions about whether and how the children's SSI program is serving its intended beneficiaries.

Last year, Congress authorized a Commission on Childhood Disability to study the program and possible alternatives. Last week, Secretary Shalala announced the Commission members who include nationally recognized experts in the fields of medicine, psychology, rehabilitation, law, education, disability program administration, social insurance, social and family policy and ethics. In light of the mandate to the Commission, we believe that Congress should not make any major changes in the children's SSI program until the Commission submits its required study to Congress by November 30, 1995. The Commission, through the work of its staff and accomplished members, will provide more complete information and data about who the program serves and what families need to meet the needs of their children with severe disabilities.

In the interim, we recognize that every federal program rightfully needs regular monitoring and review to assess its usefulness and efficiency. We believe that with appropriate enforcement, Social Security can reduce the possibility of fraudulent awards to children who do not have qualifying severe disabilities. In addition, we welcome the opportunity to work with members of the Subcommittee to improve the operation of the children's SSI program, especially in three areas:

### **1. Continuing disability reviews.**

We support the requirement in the Social Security Independence and Program Improvements Act of 1994 that requires redetermination of eligibility for SSI recipients upon his or her 18th birthday. At that time, the child will be reevaluated under the adult disability criteria. The redetermination will substitute for a continuing disability review and Social Security must review at least one-third of the children reaching age 18 in each of fiscal years 1996, 1997 and 1998. The provision expires on October 1, 1998 when a report is due to Congress.

In addition to this requirement, there are some children under the age of 18 who do medically improve during the time of their eligibility. We believe it is appropriate to discuss establishing a schedule to review periodically the continuing disability status of childhood recipients in cases where medical improvement is either possible or expected. We are mindful of the human tragedy of the early 1980s when hundreds of thousands of adults with severe disabilities who were receiving SSI benefits were illegally dropped from the rolls. Consequently, we support the establishment of a realistic review process over arbitrary steps to make wholesale reductions among childhood beneficiaries.

### **2. Improved work incentives for young people.**

People with disabilities are motivated to work, even when their disabilities are severe. The 1994 National Organization on Disability/Harris Poll found that 79 percent of non-working adults with disabilities would like to have a job, up from 66 percent in a 1986 poll. However, people with severe disabilities often are afraid to test the competitive market without some initial support through vocational training and the assurance that benefits will be easily re-established if their work effort fails. The SSI program already has some such work incentives, but they are not well known among young people who want to make a successful transition to the adult world of work.

Social Security should promote existing work incentives more widely. In addition, Social Security should work with the Departments of Education and Labor and all other appropriate federal and state agencies to improve work incentives for children with severe disabilities to enhance their ability to work to the extent of their capabilities.

### **3. Improved notification to parents (or any representative payee for the child) regarding proper expenditures.**

When receiving notification from Social Security that their child is eligible for SSI, many families do not receive clear instructions about the nature of the appropriate expenditures. Similarly, the instructions about the regular reporting responsibilities for representative payees are not as clear as they should be. Significant improvements could be made by providing parents (as representative payees) with appropriate, timely information regarding their responsibilities in receiving SSI payments on behalf of their children.

We look forward to working with the members of the Subcommittee to ensure that families can continue to care for their children who have severe disabilities or who are blind.

For more information, contact Rhoda Schulzinger, Bazelon Center for Mental Health Law (202-467-5730) or Marty Ford, The Arc (202-785-3388), co-chairs of CCD's Social Security Task Force.

Mr. McCRERY. Thank you.  
Ms. Vasiloff.

**STATEMENT OF JENNIFER A. VASILOFF, EXECUTIVE  
DIRECTOR, COALITION ON HUMAN NEEDS**

Ms. VASILOFF. Thank you, Mr. Chairman and Members of the Subcommittee.

I am here to talk about real welfare reform. The Coalition on Human Needs is an alliance of over 100 national organizations working together to promote public policies which address the needs of low-income Americans. The coalition's members include civil rights, religious, labor and professional organizations and those concerned with the well-being of children, women, the elderly and people with disabilities.

We believe real welfare reform will reduce the need for welfare, instead of punishing people for being poor. Real welfare reform would help move people from welfare to work at a livable wage, instead of requiring them to work off a grant at subminimum wages. Real welfare reform would assure an adequate safety net for children and their families, instead of increasing hunger and homelessness among our Nation's most vulnerable people.

The Coalition on Human Needs is deeply concerned with proposals under consideration by this Committee that would abandon a Federal role in helping provide a basic subsistence level of support for poor children and their families. Six million children in this country are living below the poverty level, many of them welfare recipients. Real welfare reform puts the interests of children first.

The coalition opposes ending the individual entitlement status of such vital programs as Aid to Families with Dependent Children, food stamps, child welfare and other critically important safety net programs. If Congress adopts the recommendations of the Republican Governors, women and children who are poor and in need of food, clothing and shelter will be callously cut off. Block grants are discriminatory and their innocuous name should not delude anyone that they will not be as destructive to poor families as some other recent proposals.

The coalition opposes the welfare reform approach outlined in the GOP Contract With America. We oppose proposals to establish orphanages, to deny the babies of teenage mothers assistance for their entire childhood, and to drop millions of children from eligibility for any benefits because a State agency fails to establish their paternity.

Congress must not abandon our Nation's neediest families. Real welfare reform protects children and provides job opportunities to their parents, instead of punishing the whole family for being poor. We implore the Committee to keep this basic definition of real welfare reform in mind as you consider this critically important subject.

Thank you.

Mr. McCRERY. Thank you, Ms. Vasiloff.

David Beckmann will be our last speaker on this panel.

Mr. Beckmann.

## STATEMENT OF DAVID BECKMANN, PRESIDENT, BREAD FOR THE WORLD

Mr. BECKMANN. Thank you especially for your attention at this hour. I appreciate that.

Bread for the World is a Christian citizens movement against hunger. We have 44,000 active individual members, 3,500 local churches and receive support from 60 denominations all across the theological perspective. We are a part of the Coalition on Human Needs, and we support welfare reform that would bring people up and out of poverty, not welfare reform that would just push people off the welfare rolls.

Specifically, I would like to focus on the Federal food programs and ask, as you put together the welfare reform package, that you not block grant and cut the Federal food programs. I would like to make two arguments in that regard.

First, the Federal food programs work. Second, churches cannot pick up more of the tab for feeding people. The food programs work. They were established and have been maintained by bipartisan consensus. In the mideighties there was a Committee on Federalism that looked into what should be delegated to the States. That bipartisan committee, which was chaired by a Republican Senator, concluded that feeding hungry children is a Federal responsibility, because we want to make sure that all American children have enough to eat, and kids who do not have enough to eat move sometime during their life to other States and become voters and workers and perhaps welfare recipients in other parts of the country.

The Federal food programs show that Americans support these programs and, in fact, would support increased funding for feeding hungry children. Finally, these programs should be seen as an investment. For example, the WIC Program, when it invests a dollar of Federal money in feeding underfed pregnant women, saves the Federal Government itself over \$4 in Medicaid benefits for underweight and premature babies. When we feed hungry children, we are investing in their capacity to think and to develop. These are investments that pay. So the first reason for not block granting or cutting the Federal food programs is that they work.

The second reason, speaking for a church-based movement, is that the churches just cannot pick up more of the tab. The Personal Responsibility Act would cut an estimated \$60 billion in funding for low-income programs over a 4-year period. If you divide that among 350,000 churches in this country, that is \$170,000 per church. I do not know where you go to church, but my church cannot pick up an extra \$170,000 over the next 4 years. It is just unrealistic.

Moreover, we have tried the "Thousand Points of Light" approach, and it has not been enough in dealing with hunger in this country. In the early eighties, there was a sharp increase in hunger. Churches and charities have responded with extraordinary zeal until now we have this private feeding movement in our country.

There were very few food pantries and soup kitchens in the eighties, and now there are 150,000 private agencies that are passing out food to hungry people in our country. If you go to any soup kitchen in any low-income part of any city in the country or rural



area in the country and ask, they will say that the Federal Government must do its part. Ironically, the reliance of government increasingly on charity to pick up the tab for feeding people is pushing charities out of what they do best, which is helping people to assume personal responsibility.

The charities are good at helping people deal with problems of alcoholism or spousal abuse, those kinds of things. But in fact if you look at what has happened to Catholic Charities or Lutheran Social Services or the rest, increasingly they are taking over feeding people and they are doing less of the empowerment and equipping that they should do and that they can do a lot better than government programs.

Finally, I just want to make a theological point, and that is that the Bible teaches us that dealing with need is a social responsibility. The prophets went especially to the kings, the governmental structures of their day. It is not just a personal responsibility or a charitable responsibility. It is a social responsibility.

For those reasons, I urge you to craft welfare reform proposals that will bring people up and out of poverty and specifically not to block grant and cut the Federal food programs.

Thank you.

[The prepared statement follows:]

## TESTIMONY OF BREAD FOR THE WORLD

by David Beckmann, President

Ways and Means Committee, Subcommittee on Human Resources

February 2, 1995

Mr. Chairman, members of the subcommittee, thank you for inviting us to testify on welfare reform. My name is David Beckmann. I am the President of Bread for the World, a Christian citizens' movement against hunger. We have 44,000 members. Sixty denominations and 3,500 churches of many theological perspectives support Bread for the World.

**We would like to register our strong opposition to merging food assistance programs into a single block grant as part of welfare reform.**

Many things in our welfare system need changing, and we support reforms that would effectively help employable poor people move into jobs that would enable them to support their families. But it will take an extraordinary commitment on the part of government, the private sector and the individual to make this possible on a large scale.

The welfare debate should not be about cutting dollars but about becoming more effective in reducing hunger and poverty. Polls show that people don't want to cut food assistance and are especially open to spending more on poor children. We should spend more money now for prevention programs like WIC and Head Start; they save money in the long run. It also makes sense to pay for necessary remedial education, job training, job creation, low-wage subsidies, and assistance with child care and health care so that people can get into the workforce.

**FEDERAL FOOD PROGRAMS ARE EFFECTIVE**

One of the things government has figured out how to do well over the past 30 years is to provide basic nutrition for those who are disadvantaged. This is a good investment, since adequate diets are essential for healthy development and productive work.

Just after the Second World War, the country recognized -- because many recruits were not eligible to serve due to the effects of malnutrition -- that child nutrition is essential to national security. The School Lunch Program was started to remedy that problem. Gradually, our nation has put together a comprehensive nutrition safety net composed of federal food assistance programs for pregnant women, pre-school and school-age children, adults, and senior citizens. It would be short-sighted for the federal government to wash its hands of the responsibility to assure an adequate diet for all its citizens.

In the mid-1980s the bipartisan Committee on Federalism and the National Purpose chaired by Republican Senator Dan Evans investigated turning some federal programs over to the states. They concluded that the federal government should take on an even larger responsibility for seeing that poor children were assured basic benefits. "Whenever it occurs, poverty is a blight on our whole society," the Committee reported, "and Americans in similar circumstances should be treated alike. Children whose early years are damaged by the effects of poverty in one state may later become voters, employees, and possibly welfare recipients in other states."

The federal food programs work.

- **WIC** reduces infant mortality, low birthweight, and anemia. It improves cognitive skills. A panel of Fortune 500 CEOs testified before this body in 1991 that "WIC is the health-care equivalent of a triple-A rated investment."
- **School Lunch** provides children with one-third or more of the Recommended Dietary Allowance for key nutrients.
- **Food stamps** increase the nutritional quality of diets by 20 to 40 percent.
- **Elderly Nutrition Programs** improve the nutritional health of older people, who are particularly vulnerable to malnutrition.

**CHURCHES ARE ALREADY DOING THEIR PART**

Some members of Congress have said that churches can bear yet more of the cost for feeding and sheltering people in need. The Personal Responsibility Act, H.R. 4, cuts \$60 billion from welfare and food programs over the next four years. If the 350,000 churches in America

would have to make up for that cut, they would need to add \$170,000 to their budgets over the four years. This is completely unrealistic.

We've tried the thousand-points-of-light to deal with hunger. Hunger increased in the early 1980s, partly because Congress cut social programs then. Churches and others across the country have responded to growing hunger with a private feeding movement. There were very few soup kitchens in 1980; now there are 150,000 private feeding agencies passing out food to hungry people in our country. Private charities have been diverted from encouraging personal responsibility -- alcohol and drug rehabilitation, for example -- into just feeding people month by month.

And the explosive growth of the private feeding movement has failed to keep pace with the growth of hunger. Ask at any soup kitchen or food pantry in any low-income neighborhood. The federal government must do its part.

Let me also make a theological point. The Bible teaches that God holds societies responsible for justice toward people in need. The prophets held kings -- their government structure -- primarily responsible. The Bible also urges individuals to be charitable, but charity is no substitute for justice.

We urge you to maintain the federal government's role in providing a safety net for needy children, families, and elderly people. This can best be done by keeping national nutrition and eligibility standards, preserving entitlement status for food stamps, child nutrition and Aid to Families with Dependent Children, and increasing funding for WIC to reach all eligible low-income women, infants, and children.

Mr. MCCRERY. Thank you, Mr. Beckmann.

Ms. Dunn, do you have questions for this panel?

Ms. DUNN. No questions.

Mr. MCCRERY. Mrs. Kennelly.

Mrs. KENNELLY. Ms. Schulzinger, I believe you said that we should wait before we do anything on SSI until the commission completes its work and recommends.

Ms. SCHULZINGER. Yes, ma'am. They are meeting tomorrow for the first time.

Mrs. KENNELLY. Have you been following these hearings at all or been reading about them?

Ms. SCHULZINGER. Yes. I was here last Friday.

Mrs. KENNELLY. Then you know that we are under a real pressure to eliminate fraud from the SSI Children's Program?

Ms. SCHULZINGER. Yes.

Mrs. KENNELLY. Have you got any suggestions of what we could do in the meantime, while the commission does its work, that we could eliminate some of this fraud so we do not ruin the whole program?

Ms. SCHULZINGER. Yes, I had three specific recommendations that I had at the end of my testimony. One is this issue of continuing disability reviews. You may be aware of the fact that the agency has an obligation to check whether children still in fact are disabled and are still eligible under the guidelines. We support checking the disability status of childhood beneficiaries where medical improvement is either possible or expected. Obviously, for some children, for example, someone with profound mental retardation, you are not going to expect improvement and you would not subject the family to that review.

Mrs. KENNELLY. But that is already in the rules right now, am I right?

Ms. SCHULZINGER. But it is not done very often. At this point, it is done mostly only for premature infants. It is not being done very much at all for other children. Congress did ask for review of beneficiaries at the age of 18 when you passed the Independent Agency Act last year, and that is just beginning. But very few are being done and we support increasing the effort in that area.

We also are concerned that there be increased monitoring and training of the State disability examiners. I believe you heard me say that we believe that if the rules, as they exist on paper are properly implemented, children with minor disabilities should not be found eligible. So we are concerned that there be better monitoring and enforcement of those regulations by the agency.

Mrs. KENNELLY. That is a very acceptable and good answer. From your experience in working with this program, can you give us any more insight on why you have particular areas that have a high incidence of SSI children—we have almost explosive signups for the SSI for children. Is there anything you can think of that we could do quickly so that people who really need it will not lose these benefits because of the abuse by others?

Ms. SCHULZINGER. I think in areas of the country where there does seem to be a higher than average approval rate, it would be appropriate for SSA to go in and beef up their review of what is going on. SSA, as you probably know, does have a quality assur-

ance program. There are many safeguards in place, and if questions are being raised in particular areas of the country like the 50-mile radius of the Arkansas-Louisiana Delta, which is clearly where a lot of these stories are coming from, then we are concerned that there be appropriate reviews of what is going on in the Arkansas and Louisiana State DDSs. Those are the two States that have obviously gotten the most publicity. There may be other States where people are concerned that there is a higher than average expected rate of approvals.

Mrs. KENNELLY. So you agree there is abuse going on?

Ms. SCHULZINGER. There may be specific examples of abuse, although it has yet to be documented. As you know, much of this is completely anecdotal. The report by SSA which reviewed the 600 cases, which I know you have heard about so I will not go into it, found no instances of awards being made on the basis of questionable tests. Even Mr. Parker, who was here last week from the Louisiana DDS, admitted that in the district office that he manages there were no examples of fraud that were found. He said that.

Mrs. KENNELLY. I still wonder what exactly is happening, but I guess we will find out. Thank you very much.

Mr. MCCRERY. Thank you all for your testimony. Let me just say I appreciate the testimony of Ms. Schulzinger and Dr. Shonkoff particularly with respect to the Children's SSI Program. As you know, that has been my primary focus on this Subcommittee. It is not an easy problem.

I disagree with the Social Security Administration study. I think there is ample evidence of fraud—not necessarily fraud, but ample evidence that there are children receiving SSI who most ordinary Americans would agree do not deserve to be on SSI. Now, that is not fraud. They qualify in many instances under the current guidelines. Therefore, the question is how do we tighten the guidelines to keep out those children that most of us would agree do not belong on SSI, without damaging the prospects of children truly in need. That is where we are.

The IFA is a particular problem. Ms. Schulzinger, although I have heard your testimony that you are opposed to doing away with the IFA, I am going to proceed along that line of doing away with the IFA or at least modifying it substantially. I would be interested in any suggestions you have, if you would like to submit those in writing to me, any suggestions you have for tightening those eligibility standards so that we can use a tighter screen.

The disability determination folks, as you heard from Mr. Parker last week, are the very ones crying out for help in this. Their hands are tied to a great extent. You are right, they have not necessarily found fraud. They are saying there are many children who qualify under the current standards who do not belong there, and they are looking for help to tighten those standards. That is what I am looking to you for, is some help in that regard. We are not there yet. I have not finalized my proposal and I am working with some other folks trying to get a solution to this eligibility standard that will get us where we all want to go, I think.

Dr. Shonkoff, I thought your remarks were particularly insightful. In fact, I have included in my approach several of the items that you mentioned as far as a path to follow in trying to revise this program.

[The following was subsequently received:]



Civil Rights and Human Dignity

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Leonard S. Rubenstein

February 24, 1995

The Honorable E. Clay Shaw, Jr.  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Shaw:

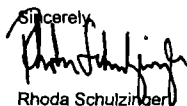
I testified at the February 2nd welfare reform hearing about the children's SSI program. At that time, Representative Jim McCrery asked me a question about the individual functional assessment in the childhood disability determination process. Here is my response for the record:

The Consortium for Citizens with Disabilities (CCD) unequivocally endorses the individual functional assessment as a critical part of childhood disability determination process. Many children have very severe disabilities that do not match any of the exact medical criteria for SSI on the Social Security Administration's list of impairments. Some of them are able to qualify for SSI through an IFA.

In an IFA, examiners and physicians of the state Disability Determination Service (DDS) look at a child's limitations in various functional "domains" relevant to the child's age-areas of development and functioning vital to a child's life. The domains are: cognition, communication, motor abilities, social skills, personal/behavioral patterns and concentration, persistence and pace. When the DDS finds that a child has "marked" or "moderate" limitations in several domains, the child's impairment can be considered comparable in severity to one that would disable an adult—the ultimate standard for a child's SSI eligibility.

Many children with mental retardation, for example, qualify through an IFA when their IQ is just above the limit established by the listed criteria and they have moderate limitations in three of the domains. The IFA is also helpful when children have a combination of mental and physical impairments. Even when no one impairment meets the specific medical criteria, the IFA allows DDS examiners to assess the total impact on the child's ability to function. Further, children's health is often compromised by adverse life circumstances that are not among the listed criteria—problems such as physical and sexual abuse, lead poisoning, prenatal exposure to drugs and sexually transmitted diseases, exposure to violent behaviors against others (such as witnessing their mother's murder) and the impact on health of abject poverty. When the result is severely impaired functioning, the IFA enables them to receive assistance.

The General Accounting Office estimates that 30 percent of children now eligible for SSI qualify because their disabilities significantly limit their ability to function normally. By eliminating the IFA, this significant group of children will no longer be eligible for cash benefits -- and most will also lose their Medicaid coverage. We urge the Subcommittee to reconsider its proposal to eliminate IFA because it is a sweeping proposal that will deny benefits to hundreds of thousands of children who have very serious disabilities.

Sincerely,  


Rhoda Schulzinger

cc: Representative Jim McCrery

Mr. MCCRERY. Thank you all very much for coming today.

Our next panel is David Roth, executive director, Cleveland Works, Inc.; Ruth Smith, president, Highland Community College, on behalf of the American Association of Community Colleges; Katherine McFate, associate director, Joint Center for Political and Economic Studies; Sonia Pérez, director, National Council of La Raza; Denise Ripley, Philadelphia Unemployment Project; and Cheri Honkala, executive director, Pennsylvania Welfare Rights Union.

Ms. DUNN [presiding]. Mr. Roth, why don't you proceed.

**STATEMENT OF DAVID B. ROTH, EXECUTIVE DIRECTOR,  
CLEVELAND WORKS, INC., CLEVELAND, OHIO**

Mr. ROTH. Thank you.

On behalf of the board and staff and people served by Cleveland Works, we certainly appreciate this opportunity to share our thoughts and results with you. If there is a point that we are going to try to emphasize in this short time, it is that we are experienced. We opened in 1986.

We have grown to firmly believe that any individual, when given the opportunity to become gainfully employed and have a better quality of life, will seize that opportunity and become an excellent employee. We kind of work backward from the perspective that whatever programs and services are necessary to insure that one becomes a taxpaying, law-abiding and productive person, that those are small prices to pay.

We use a commonsense caring approach. There is no secret ingredient or magic formula to what we do. And we have never felt that people would rather be on welfare than working. Yet, the only way we have ever seen people to be able to get out of a vicious cycle, whether it is crime, violence, abuse, sexually transmitted diseases, drugs, you name it, is through gainful employment. It is a cruel hoax and it just is not fair for people to somehow believe that an individual can raise his or her family without the means to be gainfully employed.

We have over 600 employers throughout the Greater Cleveland area that hire from Cleveland Works, with an average wage of close to \$7 an hour, and every one of these employers provide family paid employee benefits. Cleveland, Ohio just ranked as the 99th poorest city in the country of the 100 largest cities in per capita income. We also have a caseload of 250,000 people on welfare in our town.

Someone needs to put under the microscope and be quite relentless at the notion of why would 600 employers in a town of high unemployment look to a place like Cleveland Works as a valuable resource for its employees, when they know the people that we serve by definition have the least amount of education, the least amount of employment and the most amount of life management problems in their background.

This has necessitated us to have an onsite day care and Head Start Program, onsite legal services, and onsite health care services. But all of these programs did not come about through strategic planning. These came about through our trying to be sensitive



and responsive to just people's needs in terms of what they needed, so that they could give a good day's labor for a good day's pay.

Our people go from hell to heaven. We can on the one hand say that the cash assistance is so low and now you are making a good dollar, that you will not see the fruits of your labor in terms of better food, clothing and housing. And the people we serve know that something is very fundamentally flawed, if they go home at night and cannot tangibly see their children doing better, having a better education.

We have a 75,000 pupil system in the Cleveland public schools. Of those 75,000 children, 80 percent are on welfare. And we are in a State where an individual on welfare without children only gets \$600 a year. So the notion that somebody would go on for cash assistance to get \$600 a year obviously is just too extreme a notion.

Too much emphasis is being placed on those few people who may abuse the system, who may not want to work, when you have so many people that are out of work, so many people who simply want a piece of the American pie so they can control and shape a better future for them and their children.

All we are doing is investing in families so that they have the proper means to have the type of standard of living where things such as child support will be paid, where quality education will be real, where accessible health care will become available. Yet, it seems a lot of the tone and tenor is somehow concerned with an approach that says maybe if we get to the underlying causes of why people get on welfare.

People only get on welfare because they have to. We happen to live in a country that is the only one left in the world that says if you downsize yourself and show us how debilitating and humiliating your situation is, here is all the health care you want whenever you want through Medicaid. They are certainly not jumping on welfare for that chump change, but if that is the only way you can provide health care for your children—that is why our 600 employers must provide family paid health benefits through the employer.

I question whether or not this could not be applied across the board. We are now in seven cities. We have Louisville Works. You will hear from Orange County Works later today. There is Columbus and Cincinnati Works. There is Seattle Works. I think all of these in their own way are not models, but they are examples that with a results-oriented approach that starts toward accountability.

If Cleveland Works could not show where every penny spent directly affects one's ability to control and shape a better future, then we should not be funded. It is just not that hard to document whether people are getting a paycheck or a welfare check or whether they are gainfully employed or that they are caught up in the throes of poverty.

Thank you.

[The prepared statement follows:]

SUBMITTED STATEMENT OF  
MR. DAVID B. ROTH, ESQ.  
ON BEHALF OF CLEVELAND WORKS, INC.  
TO THE COMMITTEE ON WAYS AND MEANS  
SUBCOMMITTEE ON HUMAN RESOURCES  
CONCERNING WELFARE REFORM

Mr. Chairman, Members of the Subcommittee. On behalf of the Board of Trustees, staff, and people served by Cleveland Works, Inc., thank you for this opportunity to share my views on welfare reform.

The comments and observations that follow are based upon more than 25 years of work with low-income families. The large majority of this experience stems from being the co-Founder and Executive Director of the Free Medical Clinic of Greater Cleveland (1973-1981), Founder and Executive Director of Cleveland Works, Inc. (1986-present), and an attorney to low-income people in need of free legal representation. Additionally, I serve on the Board of Trustees of several community-based non-profit organizations which operate within the human service sector of Cuyahoga County, including the Alcohol and Drug Addiction Services Board of Cuyahoga County. I hope that my involvement with these initiatives will provide valuable insight into the topic of these hearings.

Briefly, let me familiarize you with Cleveland Works, a private, non-profit organization which works to identify and successfully meet the socio-economic needs of families in poverty, especially the parents and children on welfare. Established in August of 1986, Cleveland Works operates on the assumption that, if given an opportunity, a person will choose independence over dependence, work over welfare, and legitimacy over illegitimacy. At the core is the fundamental belief that full-time employment with health benefits is the only way for a person and his/her family to achieve a decent standard of living. A comprehensive and unique array of integrated family programs and job-related support services have been developed on-site in order to help participants leap and outmaneuver the many hurdles and barriers which stand in the way of employment. The staff takes a common sense, caring approach, doing "whatever-it-takes" to help families literally "work" their way out of poverty.

The answers we are developing at Cleveland Works are neither overly complex nor overly burdensome to implement. Cleveland Works is simply an all-out attempt to successfully remove a family's long-term welfare dependency by providing heads of households on public assistance with full-time jobs that provide employer-paid family health benefits and an hourly wage that truly improves their standard of living. In this way, it serves three primary purposes: 1) to enable those on public assistance to become self-sufficient and take control of their lives; 2) to provide productive, reliable workers to Greater Cleveland's employers; and 3) to save public dollars by helping welfare recipients become productive, taxpaying, and law-abiding citizens.

There are hundreds of employment and training organizations around the country—groups which assess the needs of their clients, match them with appropriate education and job training, and serve as brokers between their clients and community employers. What makes Cleveland Works different, in our opinion, is the unique results. For one, the job retention: three of every four graduates who are placed into gainful employment through Cleveland Works are still employed in those positions more than a full year later. Another is the job quality: Cleveland Works handles only those job openings which are full-time, offer employer-paid family health benefits, and come with an average hourly wage high enough to remove a family from the welfare rolls. (During 1994, placements at entry averaged 39.7 hours per week and \$6.89 per hour, plus family health benefits.) Thirdly, the innovative approach: Cleveland Works recognizes

that self-sufficiency comes from obtaining and sustaining good work habits and that any program designed to positively impact on the lives of welfare recipients must be structured to accommodate the everyday needs of local employers.

To be sure, success does not come easily. It has required of Cleveland Works not only a willingness, but a relentless commitment to supply a wide range of services to benefit our two constituencies: long-term welfare recipients and valued employers. There are many examples of this: in 1987, an on-site Summer Day Camp was begun for the children of the trainees in our full-time employment training program; in 1991, the camp was expanded into a year-round, full-day Child Care Center; in 1989, the Legal Services Department was established to remove legal employment barriers; in 1991, a special 'Beat the Streets' program was initiated for young, unwed, out-of-school parents, ages 16 to 25; a comprehensive, out-patient Health Clinic was opened on-site, in conjunction with the MetroHealth Downtown Center; in 1991, eligibility requirements were expanded to include General Assistance recipients; a customized Nursing Assistant Training Program was established and resulted in more than 250 job placements; in 1993, an EPA- and state-certified Lead and Asbestos Removal Training Program was formed and resulted in more than 125 job placements; in 1993, the offices were relocated into 50,000 square feet of new operating space; and this year, a Pre-Trial Diversion and Alternative Sentencing Project was formally established for adult felony offenders.

To me, it is a mystery how any organization can effectively move large numbers of welfare recipients into full-time work without on-site family support programs, particularly legal services. Yet, we know of no other training organization which offers legal aid, health care, and child care services as such integral components of its services, under one roof and free of charge.

At Cleveland Works, we have been able to expand our programs and achieve these results with a clientele who not only carry the stigma of being on public assistance but also, in a large majority of cases, have severe barriers to employment: a criminal record, the responsibility of caring for several young children, lack of a high school diploma. Based on the past eight years of serving such a population, it is our belief that, after decades and decades of welfare reform, we need to take a broader view; one that looks at the possibility of changing work as well as welfare; one that is guided by an understanding of the barriers that exist which are keeping welfare recipients from self-sufficiency. In its own small way, Cleveland Works is trying to do just that—change welfare, change work, and guide low-income families past impediments. Designed to make a difference on both sides of the labor market, it helps employers while it benefits welfare parents and their children. By training, counseling, and providing other forms of ongoing support to thousands of people who want to work, Cleveland Works is improving the quality of the workforce at the same time it is opening full-time job opportunities (with family health benefits) for the unemployed. This also reduces many of the risks and costs employers incur when hiring new employees.

We do not ask employers to alter their standards for hiring and retaining employees; only that they hire people on their merits and work with us to produce the most they can from the Cleveland Works graduates they hire. There is no way that Cleveland Works could have more than 600 employers hire its graduates, if the graduates themselves are not capable of becoming and remaining excellent employees and assets to the workforce. But successfully taking people off of welfare and successfully keeping people off of welfare are two different things altogether. At Cleveland Works, the difference often times is a long-term commitment that enables placements to call on us for assistance with work-related, life-management, or family problems which threaten job retention. Graduates of the program become part of Cleveland

Works' extended family, because we know not only that gainful employment is far too precious an opportunity to let go of, but also that unexpected problems can arise along the way. In the end, people cannot permanently escape poverty without attorneys and doctors, counselors and advocates, teachers and trainers working for them. Developing and maintaining these essential services is a small investment for the great reward of thousands of families escaping poverty and becoming hard working, productive, taxpaying citizens.

It is the difference between a 30-year-old mother with two children receiving \$6,500 in public assistance per year (comprised of AFDC cash benefits and Food Stamps, but not including Medicaid), and that same mother earning more than \$16,000 per year from working, plus paying back almost \$2,000 in taxes.

How can the impact of such an inclusive organization be measured? Who can truly put a value on the discovery of opportunity? On the restoration of hope? On the change of growing up in a home with working parents, instead of welfare recipients? Cleveland Works is an investment in people that pays off for taxpayers and employers, as well as for program participants themselves. While precise calculations of the total value is impossible, we can surmise that its lasting benefits far exceed its short-term costs. Think of the child development services, which are coupled with a comprehensive adult employment training program in order to give low-income families a true head start. Think of the education and counseling which preserves families, prevents domestic violence, and heads off health problems. Think of the crimes prevented—saving financial and imputed costs, including pain and suffering, to victims. Think of the savings to the criminal justice system—public defender, imprisonment, and law enforcement costs avoided. Think of the creditors who otherwise would not have been paid, but for the annual repayment schedules arranged for clients with outstanding debt. Think of the government savings from the arrangement for the collection of child support, reimbursement of welfare benefit overpayments, and the substance abuse treatment which is provided on-site.

In our rush to create meaningful solutions for poor children, we must not forget their parents. While endorsing Head Start programs, we ought to provide the resources to enable child care to be year-round and last the entire day. Wherever possible, we ought to link parents in our HeadStart centers with on-site job training initiatives. After all, it is important to not just provide our poor three-year-olds with great developmental programming, exploration into music and the arts, language training, and other educational exercises. Following two years of all that learning, the five-year-old should not have to return to the same poverty-stricken environment he came from. We must address the needs of the entire family at once so that welfare recipients and their children can together realize significant change. It may seem easier to start with a new generation than share responsibility for what yesterday's children have become; but doing so would be a gross injustice. In this age of anxiety about the breakdown of the family unit, we are somehow able to forget that most children, even the poorest, live in families—if not with both parents, at least with one. Improving their schools and pre-schools but not their homes and neighborhoods will almost surely prove a poor investment. Children will not have a better chance in life unless their parents are also given a second (sometimes third or fourth) chance to get a job, earn a living, and provide for them.

It is also worth mentioning that as we search for ways to assist AFDC mothers into self-sufficiency, we must not forget their partners, the fathers of their children. Single men need employment opportunities, just as married women do. How else can we expect non-custodial fathers to take responsibility for their children and make regular financial payments? It does little good to emphasize the establishment

of paternity and child support assurances and child support enforcement without emphasizing employment. Yet, very few states have plans to continue General Assistance programs, and public funding to provide employment training services for this population is becoming scarcer and scarcer. The federal government's insistence on a strict interpretation of regulations on private match for FSET and JOBS Pass-Through monies, for instance, has caused major problems for a large number of providers, donors, and counties. More importantly, it has left millions of needy and absent fathers without the income to help raise their children.

Some of the lessons we have learned at Cleveland Works may sound simple, but it is discouraging to see that they get lost when policymakers discuss disadvantaged people. Never have we faced a shortage of applicants seeking a better life. Each new day reaffirms that few people want to be on welfare, unemployed, or poor. Nearly every parent wants to create a better life for themselves and their children. And for eight years at Cleveland Works, we have been convinced that a lot of people who society readily and permanently writes off can rather quickly become reliable, productive, taxpaying citizens and role models for their children. In most cases, all welfare recipients need is customized training, tailored to the needs of area employers, along with encouragement and a meaningful opportunity to create and maintain a better life through gainful employment. The more we ignore the truth that low-income people want to work and only request an equal opportunity to become an excellent employee, the more we will continue to perpetuate an underclass whose stagnation and deprivation will adversely affect us all. How can we honestly deceive ourselves into thinking people can somehow magically rise out of poverty when we know they do not have the most potent weapon—skills and abilities which enable them to apply their education and be paid for their labor?

Forgotten is the truth of Robert Kennedy's simple observation that "welfare is neither the cause nor the remedy." We prefer to attack problems one by one. Right now it is single-headed households and out-of-wedlock children. Whatever problem we look at, however, the same people are afflicted. The reason is plain: they are unemployed, poor, uneducated, and lacking access to quality health care. Without fail, it is when the basic necessities are denied—food, clothing, housing, education, health care—that poverty arrives with its dangerous tentacles, such as crime, violence, abuse, and illness. We can continue fighting illiteracy, drugs, hunger, homelessness, domestic violence and mental illness, but still never succeed until we face the stark reality that employment is the core absolute to a family's ability to successfully control and shape a better, brighter future. Low-income people cannot be convinced or simply counseled into becoming more responsible, secure, honest, trustworthy, law-abiding, and healthy; and certainly, we cannot effectively preach less violence, depression, and alienation—unless welfare recipients, the unemployed, and the underemployed possess the means to earn a decent standard of living.

If society assumes part of the burden, everyone benefits. Workers acquire additional skills and earn better pay. Employers get to choose from a more productive labor pool. The taxpayers' investment is more than repaid in reduced welfare and criminal justice expenditures and increased tax revenue. If we can somehow bring Americans into what I call the "Triangle of Opportunity," with cornerstones around family health, quality education, and gainful employment, many of these so-called problems, like single-headed households and out-of-wedlock births (which I believe are really symptoms), will shrink to manageable proportions. There will be no need for special groups to establish special commissions and come up with special findings. There will be no need to throw billions of dollars toward the research and academic surveys of social problems, when agencies designed to address these problems and provide

essential services to the poor face uncertain futures due to a lack of resources. America is unique among advanced industrial nations in its tolerance of unequal access to services upon which, not only the quality of life but, life itself depends. Only in the United States are large and increasing numbers of citizens forced to choose between either economic independence through work or medical security for themselves and their children through welfare dependence.

To multiply the impact of Cleveland Works, we have become a parent agency to several affiliates in localities throughout the United States. In Columbus and Cincinnati, in Wheeling and Kansas City, in Seattle and Orange County, organizations have modeled themselves after Cleveland Works, and others are in the development stage. We invite the employment development professionals and representatives from other worthwhile organizations to join in a broader, community-wide partnership that will serve greater numbers of people desiring opportunities for healthier, happier, better lives through gainful employment. This is more than either the public or private sector can undertake alone. The need for qualified employees and competitive employers calls for new collaborative ventures between the public and private sectors, along with new redirected human capital investments. Now, if legislators would just begin to assume some of these obligations, the details of the policy would rapidly work themselves out. In the end, it turns into less a question of what to do than when are we going to do it.

Purposefully, my testimony does not critique the latest legislative proposals; instead, my comments center around Cleveland Works because I feel that is the most instructive and helpful thing I can add to the welfare reform debate at the national level. I realize the prescription is easy to write but difficult to fill: decent jobs for decent parents and a sensitive, responsive network of people helping one another. Cleveland Works is hopeful that the 104th Congress will come up with effective reforms for our welfare system and will consider bold, new ways to assist welfare recipients into permanent self-sufficiency. Indeed, we are strengthened as a nation when our policymakers in Washington put programs and policies under the microscope, so to speak. In this way, funds will flow to the agencies which are having the best results, serving a hard-to-place clientele. As always, Cleveland Works looks forward to increasing its ability to meet the socio-economic and employment needs of families in poverty in a sensitive and responsive manner, recognizing that the only thing that truly works is work itself.

Again, thank you for considering my views. I look forward to assisting the Subcommittee in the months to come in any way I am able.

Ms. DUNN. Thank you, Mr. Roth.  
We will now hear from Ms. Smith, please.

**STATEMENT OF RUTH MERCEDES SMITH, PRESIDENT,  
HIGHLAND COMMUNITY COLLEGE, FREEPORT, ILLINOIS; ON  
BEHALF OF THE AMERICAN ASSOCIATION OF COMMUNITY  
COLLEGES**

Ms. SMITH. Thank you for the opportunity to testify on behalf of the largest single segment of American postsecondary education sector community colleges. I am president of Highland Community College in Freeport, Illinois, and currently serve as a member of the board of directors of AACC, the American Association of Community Colleges.

I am very pleased to represent the views of my institution and those of AACC on welfare reform. AACC represents over 1,100 public and private degree granting regionally accredited 2-year institutions of postsecondary education. My comments are also endorsed by the American Association of Community College trustees.

As you know, community colleges enroll more than 6 million students in credit programs and an additional 5 million students in courses for lifelong learning. We serve just under half of all Americans first entering college and have the largest collegiate undergraduate populations of women, ethnic minorities and the economically disadvantaged.

I would like to note that AACC has not adopted a formal position on the Personal Responsibility Act in its entirety. However, we are prepared to share our views on certain aspects of the plan.

Community colleges have a strong interest in the provision of educational opportunities for AFDC recipients. We support the work-oriented approach of the Personal Responsibility Act plan. We work in partnership with local social service agencies and the private sector, and we are well equipped to design and deliver programs that enable recipients of public assistance to obtain at least entry level jobs, attainment of jobs that contribute to the development of the local economy and enable individuals to be free of the welfare system, which is the first critical step.

Congress should call upon and support community colleges in implementing programs on a national scale that result in job attainment, no matter what the level of skills held upon entry into education and training programs. No one knows better how to assess individual skills. No one has our track record of providing flexible programs, credit and noncredit certificates that lead to the job through placement and success and, where appropriate, the degree of attainments.

It is important to note that, depending on entry level skill, some individuals may not be able to achieve an associate degree within 2 years. In fact, national research shows that many traditional college students take at least 3 years to complete an associate degree, and 5 for a bachelor's.

AFDC recipients should be permitted sufficient time in postsecondary programs to enable them to complete required developmental courses, as well as program requirements. Ideally, this period should be open ended, as long as the student is making satisfactory progress and moving toward a well-defined education and

career goal. A waiver provision should be available for those students who, on the recommendation of the college, are within one semester of completing a degree when the deadline expires.

On the entry side, welfare recipients should be permitted at least one semester of developmental course work and career development activities to design their employability plan with the assistance of college advisors. The clock should start ticking after this semester.

I would like to share with you just a brief personal story. One of the clients in our local Project Prosper Program is named Bonnie. The program is sponsored by the local township in connection with the college. Bonnie was on welfare with two children. It took her 4 years to complete our nursing program, but she now not only has a job, but she owns a house, a car and, most importantly I suppose to some and many of us, she pays taxes. I know her personally and I rejoice in her progress. There are many other programs listed in our testimony.

I would like to end by saying that the community colleges are eager to continue our work in moving individuals and families into work and toward self-sufficiency. We believe educational opportunity to be the great equalizer in this country, and that education is the primary vehicle for attaining economic independence. Studies have shown that welfare recipients most likely to leave the system are those that have the advantages of education. We must provide them with a realistic opportunity for success. We are working here with you together, and we thank you.

[The prepared statement follows:]



TESTIMONY OF RUTH MERCEDES SMITH  
AMERICAN ASSOCIATION OF COMMUNITY COLLEGES

Mr. Chairman and Members of the Subcommittee, Good Afternoon. I would like to thank you for the opportunity to testify on behalf of the largest single segment of American postsecondary education – community colleges. My name is Dr. Ruth Mercedes Smith and I am President of Highland Community College, located in Freeport, Illinois, and currently serve as a member of the Board of Directors of the American Association of Community Colleges (AACC). I am pleased to appear before you today to represent the views of my institution and those of AACC on welfare reform. AACC represents over 1,100 public and private degree-granting, regionally accredited two-year institutions of postsecondary education. My comments are also endorsed by the Association of Community College Trustees.

Before addressing the nation's community colleges and our interest in welfare reform, allow me to speak briefly about my background. I have worked in four different states (Wisconsin, New York, Virginia and Illinois) at four different community colleges. I started the Women's Center at Waukesha County Technical College in 1975. I have worked with hundreds of women through the the Displaced Homemakers Network, now called Women at Work. And I have a masters degree in counseling. Through my experiences, I have observed that community colleges provide a highly cost-effective means of moving welfare recipients toward economic self-sufficiency.

As you know, community colleges enroll more than six million students in credit programs and an additional five million students in courses for lifelong learning. We serve just under half of all Americans first entering college, and have the largest collegiate undergraduate populations of women, ethnic minorities, and the economically disadvantaged.

My statement today is on the issue of welfare reform and work. I'd like to note that AACC has not adopted a formal position on the Personal Responsibility Act in its entirety. However, we are prepared to share our views on certain aspects of the plan.

The Family Support Act of 1988 placed a new emphasis on the training and

education of welfare recipients in order to promote economic independence, thus providing recognition that education is often a prerequisite for stable employment. Community colleges have a strong interest in the provision of educational opportunities for AFDC recipients. We support the "work-oriented" approach of the Personal Responsibility Act.

Community colleges working in partnership with local social service agencies and the private sector are well equipped to design and deliver programs that enable recipients of public assistance to obtain at least entry-level employment. Numerous examples exist that document our ability to assess educational and skill levels, provide career and academic counseling, training and educational programming, and placement of participants in jobs. Attainment of a job that contributes to the development of the local economy and enables an individual to be free of the welfare system is the critical first step.

Congress should call upon and support community colleges in implementing programs on a national scope that result in job attainment no matter what the level of skills held upon entry into education and training programs. Community colleges can be an effective partner in making welfare reform a success because no one knows better how to assess individual skills and provide training, and no one has our track record of providing flexible certificate, credit and non-credit programs that lead to job placement and success, and, where appropriate, degree attainment.

Oftentimes, additional education and training occurs after job attainment to ensure permanent independence from the welfare system and to provide for upward career mobility. It is important to note that depending on entry skill level, some individuals may not be able to achieve an associate degree within two years. In fact, national research shows that many college students, including traditional students who live at home, take at least three years to complete an associate degree and five years to complete a bachelors degree.

AFDC recipients should be permitted sufficient time in postsecondary programs leading to a certificate or associate degree to enable them to complete required developmental courses as well as program requirements. Ideally, this time period should be open-ended as long as the student is making satisfactory academic progress and moving toward a well-defined education and career goal. A waiver provision should be available for those students who, on the recommendation of the college, are within one semester of completing a degree when the deadline expires.

In many cases, welfare recipients do not finish high school or have been out of school for a long time. They are unprepared academically to begin a program leading to a certificate or associate degree. Welfare recipients should be permitted at least one semester of developmental coursework and career development activities at a community college to design their employability plan with the assistance of college advisors and counselors. The clock should start ticking after this semester and the acceptance of an employability plan by the local welfare office. Currently, students fill out these forms at the welfare office prior to enrollment; very often, the plans reflect little understanding of the student's abilities or of college requirements.

Allow me to tell you about one of our local welfare-to-work programs connected with my college. Project Prosper was developed for individuals who are economically disadvantaged, first-generation college attendees or physically/learning disabled. The project provides assessment, training, education, and counseling through community partnerships. A key component of the program is a mentor relationship between the Project Prosper participant and an individual from the local community. The mentor functions as both a role model and friend for the participant.

Bonnie Leif, an alumna of the Project Prosper program, took four years to complete her nursing degree at Highland Community College. Yet, she knew she had made it the day she called the welfare office and told them to close her file. Bonnie is a single mother of two who had been struggling to go back to school, work, and find a better life. It wasn't easy. She had to pay rent, child care, and feed and clothe her family. When she started

earning money of her own, her welfare benefits were threatened and the resulting financial crunch was intolerable – she would have been better off if she waited for her welfare check. Project Prosper provided Bonnie with gas money so she could get to her clinical assignments – 30-40 miles away from this rural community – child care, and help with buying uniforms. Most importantly, the program matched her with a mentor to help her out when the going got tough – and she made it. Bonnie was recently chosen by the Illinois Community College Board as an outstanding Community College Alumnus of the Year. She is working full-time at a local hospital, has purchased a house, a car, and is paying taxes!

From May 1, 1992 to April 30, 1993, Project Prosper has saved the welfare system \$87,708 in benefits that would otherwise have been paid to participants. During the same period, Project Prosper participants like Bonnie earned \$121,663 that went toward supporting the local economy. This year, between money saved in welfare payments and employment earnings, the program is projecting returns of over \$600,000.

There are thousands of stories like Bonnie's at community colleges around the country. You have even heard testimony from a few of our students in recent weeks. Additional welfare-to-work programs at community colleges include the following:

Valencia Community College, FL – The Valencia Independence Program is a joint project of Valencia Community College and the Florida Department of Labor and Employment Services. The project provides specialized educational and support services to enable AFDC recipients to successfully pursue college education and to develop the job-related skills that will enable them to secure and hold jobs. The program enrolls 20-35 individuals a year. Participants are assessed on academic skills and vocational interest. Valencia provides tutoring, mentoring services and counseling as well as any instruction or training. Fifty percent of the program participants are achieving grade point averages of 3.0 or higher. The first completers of the program are moving into jobs such as radiologic technicians earning approximately \$30,000 per year.

City University of New York, NY – At least 16,000 AFDC recipients or children of recipients are currently enrolled at CUNY. Most of these students are new immigrants, African-Americans and Latinas. Family College at Kingsborough Community College, NY, enables parents who are welfare recipients to earn an associate degree while their children attend an elementary school on the Kingsborough campus. Currently over 100 parents and children are being served by the program.

Eastern Iowa Community College District, IA – The Promise JOBS program at Eastern Iowa Community College District was initiated in 1989 to promote a smooth transition from dependency to self-sufficiency through training and employment assistance. Iowa's Promise JOBS program has the highest statewide percentage of cases with earnings in the country – 43 percent. Only one year ago 17 percent of the cases had earnings.

#### Ohio JOBS Student Retention Program

The Ohio JOBS Student Retention Program (JSRP) is a statewide community college welfare-to-work initiative developed through a cooperative agreement between the Ohio Board of Regents and the Ohio Department of Human Services. The program is operated on 32 of the state's community college campuses and is managed on a fiscal and programmatic basis by Columbus State Community College. During 1994, more than 6,290 JOBS students received initial, on-going and individualized services to identify and overcome barriers to academic success and future success in the workplace. The JSRP students received four consecutive quarters of service at an average cost of \$1,558.

#### Oregon JOBS Program

In Oregon 50 percent of the JOBS services delivered throughout the state are offered by community colleges as the prime contractor. The remaining 50 percent are offered by the Private Industry Councils as the prime contractor. In instances where the community college is not a prime contractor they are usually a service provider. Nine community colleges

served a total of 16,361 JOBS participants between July 1, 1993 and June 30, 1994 (an average of 1,818 per college). Ninety percent of the services offered by those institutions were non-credit in nature. Services ranged from life and employability skills to short-term non-credit training (less than one year). Approximately 10 percent of the students received credit-based training services that were longer than twelve months in duration. In Oregon over 1,200 JOBS recipients per month are placed into competitive employment, with a recidivism rate of less than 20 percent after 18 months on the job.

### Illinois Community College System

The Opportunities Program was initiated in 1991 and is administered by the Illinois Community College Board in coordination with the Illinois Department of Public Aid. The program serves approximately 4,600 students per month in 10 community colleges around the state. By housing the Opportunities Program at the local community colleges, participants are offered, in a one-stop-shop setting, every type of service and resource they may need to complete an education and training program. The majority of Opportunities students are enrolled in occupational associate degree and certificate programs that are specifically designed to lead directly to employment upon completion. The most popular majors chosen by these students are nursing, computer technology and business.

Mr. Chairman, the nation's community colleges are eager to continue our work in moving individuals and families into work and toward self-sufficiency. We believe educational opportunity to be the great equalizer in this country, and that education is the primary vehicle for attaining economic independence. Studies have shown that the welfare recipients most likely to leave the system are those that have the advantages of an education. Yet, we must provide them with a realistic opportunity for success.

We appreciate this opportunity to share our views with you today, and stand ready to work with you and members of this subcommittee in the future. I will be pleased to answer any questions you may have.

Ms. DUNN. Thank you, Ms. Smith.

Let me remind the panel that that yellow light that you see in the middle is about a 30- or 40-second light, and the red light is the end of your 5-minute presentation. We are not trying to cut any of you off, because your testimony is most important and helpful to us. But because we have over 70 witnesses today, we are trying to stick to the 5 minutes. I appreciate Ms. Smith and Mr. Roth and others for understanding that.

Let us move along then to Ms. McFate. Excuse me, Ms. Ripley would like to go next.

**STATEMENT OF DENISE RIPLEY, MEMBER, PHILADELPHIA  
UNEMPLOYMENT PROJECT, PHILADELPHIA, PENNSYLVANIA**

Ms. RIPLEY. My name is Denise Ripley. I am a member of the Philadelphia Unemployment Project. I thank you for giving me the opportunity to speak.

I am an unemployed single mother with one child. I am a high school graduate who has worked all my life. I have no marketable job skills, but I am a hard worker. Like many people in Philadelphia, I am willing to work. But with the unemployment rate at 8 percent and no marketable skills, thousands of us are in competition for the same jobs. Also, without any marketable job skills, it is hard to get placement at any given time. I am not lazy. I enjoy working. It gives me a feeling of dignity and a sense of self-sufficiency earning my own money. However, it is very scary knowing that your job is always in jeopardy.

I have been employed as a schoolworker, a waitress, a salesperson, a handler at a uniform company, and I worked as a dietary worker in a nursing home. With all these jobs, I found myself constantly on and off unemployment rolls. Several times I was forced to go on welfare before I could find another job. From 1986 through 1991, I worked with no benefits at the U.S. Post Office as a full-time seasonal worker. This provided me with the income for at least 9 months of the year.

In 1991, when I was laid off from the post office, I was able to find a full-time job with benefits as a housekeeper at the Holiday Inn. I was terminated from this position in 1993 because my boss said I did not make a bed properly. Although this allegation was not true, like many unskilled workers, I found myself subjected to these kinds of accusations with no recourse, because we can be replaced so easily. Once again, I started collecting unemployment benefits while looking for a job. However, once again I was unable to find work before my unemployment ran out. I had no alternative but to go to welfare.

Like millions of other Americans, I do not see welfare as something long term. It is a safety net to our finding employment. This assistance allows us shelter, food and to care for ourselves and our children until we find work.

There are still 7.1 million people officially unemployed in this Nation in what are supposed to be good times. This does not include the number of unemployed people like myself on welfare. There are not enough jobs for the number of people unemployed.

After years of struggling, I am trying to better myself by going back to school. I just completed a basic education course and will

be taking business courses so that I can fulfill my lifelong dream of running my own catering business. Having my own business will make me in more control of my life. In all these jobs that I have had, they did not offer me any stability. I am hoping that a catering business will, and then all of my life experience will pay off in a successful business.

What if my business dreams do not work? I will already have used up the 5 years of welfare that some of you think is enough for a lifetime. My son and I will have to live somehow. What would you suggest we do? I am 37 years old and I have 25 years until I am eligible for Social Security. The chances of me working non-stop for 25 years is very remote.

You just do not understand the realities of what so many of us have to face every day. If you did, I am sure you would not even consider these cuts. Instead of cutting my only means of survival when I am unemployed, you should be trying to find ways of helping me become employed by creating more jobs. I am not lazy. I want to work, but I need a job. There are a lot of other people in the same situation that I am in. That is why I am here speaking on it. Our neighborhoods need to be built up more, and they have to be more educated about what is going on.

I think if you gave people a chance to get more education, there would not be so many people staying on welfare. There should be some way you could motivate people to educate themselves, because through education they would be able to know the things that they need and it would not fall on welfare the way the system is.

Thank you.

Ms. DUNN. Thank you very much, Ms. Ripley. I am sorry, the name confusion was our fault, and we apologize. You were a good person to step in before you were listed on the agenda.

Now we will start with Ms. McFate.

**STATEMENT OF KATHERINE McFATE, ASSOCIATE DIRECTOR OF RESEARCH FOR SOCIAL POLICY, JOINT CENTER FOR POLITICAL AND ECONOMIC STUDIES**

Ms. McFATE. Thank you for giving me the opportunity to speak today.

I am Katherine McFate, associate director for social policy of the Joint Center for Political and Economic Studies, a national research and policy institute dedicated to studying issues of concern to African-Americans.

I would like to talk about real welfare reform. Real welfare reform would focus on protecting children and finding work for their parents. Real welfare reform would increase the likelihood that all American children grow up healthy and secure. Real welfare reform would encourage, assist and reward the parents of poor children who move into the paid work force.

Unfortunately, the Contract With America does not do any of these things. So I am going to spend the short time that I have talking about the potentially very negative impact that the Contract's proposals will have on African-Americans in this country.

The majority of AFDC recipients in the United States are not black, but the groups targeted by the Contract's welfare reform



proposals are disproportionately black. The Contract targets three groups of current welfare recipients for exclusion, the children of unmarried teenage mothers, the children of unmarried mothers regardless of their age for whom paternity has not been established, and families who have accumulated 5 years of AFDC support.

About half of black AFDC mothers have never married, compared to 31 percent of whites and 14 percent of Hispanics. The Contract disqualifies the children of unmarried teen mothers from ever receiving income assistance, apparently under the assumption that this will make their mothers marry. But we have to recognize that women do not always have that option, and this is particularly the case for black women.

Contraceptives do fail and mothers cannot always marry the fathers of their children. Some people do not believe in abortion. The Contract punishes the children, disproportionately black children, for the circumstances of their birth, circumstances over which they have no control.

Second, cutting off families who have been on AFDC for more than 5 years, although only 15 percent of white women and about a third of black women spend 5 or more years on welfare, a majority of continuous long-term users are black. The average length of time black families spend on welfare is 8 years. Thus, because black Americans are on the roll longer, they are more likely to be assigned to workfare programs that the Contract would establish and to hit the 5-year time limit and be pushed off assistance.

I urge you to think very carefully about the ratio dynamics of the workfare system you want to create. Widespread workfare will create a subtler of laborers who are not subject to the normal rules of the labor market and are working somewhat involuntarily at less than minimum wage. I would remind you also that the States with the highest percentage of black AFDC recipients are in the South. Over 60 percent of all AFDC families in 8 southern States are black. Five of these States are among the seven States with the lowest benefits. Texas and Tennessee are the other two.

Working 35 hours a week in return for your AFDC benefits in these States would mean an individual would be working for 86 cents an hour in Mississippi, \$1.17 an hour in Alabama, \$1.31 an hour in Texas, and \$1.32 an hour in Tennessee. Do you really want to establish a work system that pays far less than minimum wage and that will be filled with minorities? How does this empower the poor or provide them with hope?

Because black families are more likely to be in this system longer, they are also more likely to hit the limit and be pushed off. Remember that long-term AFDC recipients are the least experienced, the least educated part of the welfare population, and they have very low basic skills. Hence, they are going to be very unattractive to private employers. If a 5-year time limit had been put in place 5 years ago, about 54 percent of the current black AFDC families would have exhausted their eligibility for support.

Third, I want to make a point about block grant proposals. I would humbly remind the Members that black people were deliberately excluded from New Deal social insurance programs for many years. It was not until the fifties and the sixties, when the

civil rights movement started to begin to break down barriers, that poor African-American families were able to obtain access to AFDC.

Let us remember that the Federal Government became involved in public assistance, took a larger role in setting national standards because many States, particularly those in the South, exhibited dismaying intolerance for malnourished children and destitute families, especially if those families were black.

I know I am running out of time, but I do want to point out that over half of all African-Americans today live in the South and southern States have the lowest benefit levels, the highest poverty rates, and the lowest median income levels. In short, local need will be greatest where the local resources to meet those needs are lowest. The economic conditions in southern States will make it very difficult for them to maintain even the meager assistance levels available under capped Federal entitlements or block grants.

If the national safety net is sacrificed for the quality of State flexibility, we can expect to see regional and racial inequalities increase and the progress made toward equal opportunity will be lost.

Thank you.

[The prepared statement follows:]

**Testimony of Katherine McFate  
Associate Director of Research for Social Policy  
The Joint Center for Political and Economic Studies**

Subcommittee on Human Resources  
House Ways and Means Committee  
February 2, 1995

Mr. Chairman, Members of the Subcommittee, thank you for giving me the opportunity to speak today. I am Katherine McFate, Associate Director for Social Policy, at the Joint Center for Political and Economic Studies, a national research and policy institute dedicated to studying issues of concern to African-Americans. Since 17 percent of black families and 37 percent of black children receive some income support from Aid to Families with Dependent Children (AFDC), it is obviously an issue of great concern to us.

I would like to talk about the principles of real welfare reform. Real welfare reform would focus on protecting children and finding work for their parents. Real welfare reform would increase the likelihood that all American children grow up healthy and secure. Real welfare reform would encourage, assist, and reward the parents of poor children who move into the paid workforce, but not punish poor families when the private sector fails to produce jobs or private employers choose to hire others.

I would like to take these few moments to review the problems that the Contract's welfare reform plan seems designed to address, outline alternative ways to deal with these problems, and then warn you about the extremely negative impact that the Contract's proposed reforms could on African-Americans.

**1. Apparent targets of the Contract's reform plan.**

**a. High rates of teenaged childbearing.**

There is broad consensus that the U.S. teenaged birthrate is unacceptably high. While other industrialized countries have also seen an increase in the proportion of sexually active teenagers, no other industrialized country has a teen birth rate as high as ours or an abortion rate as high as ours. In other words, in other countries, sexually active young people are better about using contraception.

Mr. Chairman, even the witnesses that you chose for earlier hearings testified that they did not believe that making the *children* of unmarried teen mother ineligible for support would reduce teen childbearing or have much impact on out-of-wedlock childbearing. Since the vast majority of teenage pregnancies are unintended, cutting off economic support to poor teens is unlikely to reduce the sexual behavior of these youngsters. However, it might make them more likely to abort -- an outcome that many conservatives might view with some ambivalence.

If the goal of welfare reform is to encourage more responsible reproductive decisions among young people, I would argue that we need to focus more attention on the young men who are involved in sexual liaisons with teenaged girls. The partners of teenaged mothers, particularly young teens, are often men in their twenties. Since they are older, we should expect them to take more responsibility for their behavior, for contraception, and for the care of a child who may result from their actions.

Making a very strict and automatic system of child support collection the core of income support for lone mothers would do more to foster responsible contraception than approaches that punish children for the circumstances of their birth. If you believe that economic incentives affect decision-making, isn't knowing that you will face 18 years of monthly child support payments (which will increase with your income) a serious incentive to take responsibility for contraception? Replacing AFDC cash payments with a Child Support Assurance system would not only hold *men* accountable for their actions, it would reduce the work disincentives in the current system, since mothers would keep the support payment even if they worked.

b. Unfit mothers.

Much of recent rhetoric around the welfare issue seems to suggest that a high proportion of mothers on AFDC are inadequate parents. In fact, the Child Welfare League reports that child abuse or neglect charges have been brought against less than 4 percent of all AFDC mothers. If the Sub-committee believes that much more abuse and/or neglect is occurring, then the appropriate target for reform is state child protective agencies, since they are supposed to ensure that children live in safe environments. We do have systems that are supposed to identify unfit parents. If you believe they are not working, reform *them*.

The research does show that children who grow up in poor, lone-parent households in homogeneously poor neighborhoods are at much greater risk of school failure, early pregnancies, and delinquency than children who grow up in economically secure, two-parent households in higher income neighborhoods. But the research also tells us that there are worse ways for children to grow up. Being institutionalized at an early age or trapped in the foster care system and shunted from placement to placement creates children who cannot bond, who have much *higher* rates of school failure, substance abuse, criminal activity, and psychological problems. The graduates of foster care and institutions fill our homeless shelters and prisons. We *can* create worse environments for children; breaking up families and institutionalizing children *will make things worse*.

c. High rates of dependency/non-work among AFDC recipients.

Contrary to popular perception and the apparent assumptions of the Contract's reform measures, there are several patterns of AFDC use. Welfare recipients may use AFDC:

- o Emergency assistance.

Some individuals use the system for a short time (typically less than two years) after some crisis -- desertion, an unplanned pregnancy, etc. They then marry or work their way off welfare and continue to have other support. They tend to have higher skills and more work experience than the other three groups. They have families that have resources, too. This group probably represents 18 to 20 percent of all AFDC users.

- o Unemployment assistance.

Although about 70 percent of AFDC users leave AFDC within two years, a majority come back onto the system at some point in time. (In 1992, about 42 percent of new applicants had been on AFDC some time before.) These women typically "work their way off" AFDC in relatively low-wage jobs, often with extra support (child support, child care help) from friends and/or relatives. They come back to the system when they lose their job, when a child is sick and needs access to healthcare, or when child care arrangements fall through. In other words, they cycle on and off of AFDC, using it as a kind of unemployment insurance system. (Most don't qualify for regular unemployment insurance.) Recent research by the Institute for Women's Policy Research suggests that about 45 percent of people who ever use AFDC seem to fall into this category.

- o Earnings supplement.

In 1992, about 11 percent of AFDC households reported receiving some earned income. The average earnings received (\$462 a month) represent about 21 hours a week of work at the minimum wage. These families rely on AFDC even though they are working because their incomes are so low. It is better for the tax payer to have an AFDC mother work part-time because AFDC costs are reduced as earnings increase. Nonetheless, since they remain eligible for AFDC even while working, they are still be considered "long-term dependent." African-American women are overrepresented among this group.

- o Long-term income support.

About a quarter of all AFDC users stay on AFDC continuously for long periods and do not work. The women in this group typically have their first child as a teenager, are unlikely to have a high school diploma or work experience, and have very low basic skills. They are disproportionately minority.

The welfare reforms currently being discussed seem to assume that all AFDC recipients fall into the first or last groups. There is little recognition of the large proportion of women move in and out of low wage work or work part-time and don't earn enough to support their

families without direct assistance. Recognizing these issues logically leads to reform options that support work rather than reforms that punish those without jobs.

A major issue in the welfare debate should be the quality of jobs at the low end of the labor market. Not only are many jobs low wage, part-time and temporary, they typically do not offer benefits like healthcare. To keep poor parents more permanently attached to the labor market, we should upgrade wages and subsidize childcare and healthcare for the working poor to make work pay. While the Earned Income Tax Credit helped move in this direction, an increase in the minimum wage would do even more to help lift the 2.8 million adults earning minimum wage out of poverty. These are not reforms of AFDC per se, but reforms that would *prevent or reduce the need for AFDC*.

AFDC parents who are already working would probably work more if the earnings and assets rules were changed. Some states have moved in this direction already. Lone mothers who work would benefit from the establishment of a Child Support Assurance system that guaranteed them child support payments of \$250 each month. This would provide a better supplement for work because it wouldn't be reduced as earnings increased. If minimum wage were increased to \$5.00 an hour, a mother working half-time at minimum wage with a \$250 a month child support assurance would take home \$650 a month much more than the average grant. In fact, CBO estimates that a Child Support enforcement system that paid \$250 for the first child and increments for other children would cost only \$4.7 billion (and with better enforcement, this number could decrease to \$2.1 billion). This is a quarter of total cost of AFDC.

The welfare reform proposed in the Contract does nothing to make work pay or to create positive routes off welfare. Rather, it simply assumes that the problem with the long-term dependent is that they aren't trying to find work and it assumes jobs are there for those who look. Recent research suggests this is not the case.

As noted above, long-term non-working AFDC users are the least experienced and least educated part of the welfare population. Hence, they are the least attractive to private employers. Professor Harry Holzer, an economist at Michigan State University, has recently completed a survey of 3000 private employers in several large metropolitan areas. He found that for 95 percent of recently-filled entry level jobs that did not require a college degree employers still required a high school diploma, specific work experience, references, or formal training. They also required a high level of basic skills competency. Furthermore, employers reported that it was not hard to fill their openings with *current* job-seekers. The employers surveyed were not eager to hire minority Americans; in fact, Holzer found many employers "show a preference for immigrants or for Asian/Latin American minorities in general, believing they can pay them low wages (perhaps below the legal minimum) while expecting good work performance and compliant behavior in return." Professor Holzer concluded that long-term welfare recipients in central cities will have a very difficult time obtaining even low-wage employment in the private labor market.

If the goal of welfare reform is to get the parents of children who receive income support from welfare into paid work, then the public sector will have to be the employer of last resort. If individuals are simply cut off the rolls at the end of five years, or two years, it is very unlikely that they will not be absorbed in the private sector. The result will be more hunger, homelessness, and crime. The quality of life for all Americans will be diminished.

## 2. The Contract's Impact on African-Americans.

The majority of AFDC recipients in the United States are *not* black, but the groups targeted in the Contract's welfare reform proposal are disproportionately African-American. Currently, 1.8 million of AFDC's 4.9 million families are black, and 3.6 million of the 9.6 million children receiving support from AFDC are black.<sup>1</sup> The Contract targets three groups of current recipients for exclusion: the children of unmarried, teenaged mothers; the children of unmarried mothers (regardless of age) for whom paternity has not been legally established; and families who have accumulated five years of AFDC support.

### a. *Children born out-of-wedlock.*

Black children are much more likely to reside in a household headed by a never-married mother than white or Hispanic mothers. About half of black AFDC mothers have never married (compared to 31 percent of whites and 14 percent of Hispanics). The Contract punishes the children born to unmarried mothers, apparently under the assumption that mothers always have the option to marry the fathers of their children if they choose to do so. This is clearly *not* the case. And it is particularly not the case for black women.

First of all, black women of child-bearing age significantly outnumber black males of the same age group: there are 135,000 *fewer* black males than females between the ages of 15 and 44. (Among whites, males outnumber females.) Second, the black men who are available are twice as likely to be unemployed as white men, and the 1992 CPS reported that 55 percent of employed black males had an income of less than \$15,000 a year (compared to 35 percent of white males). Moreover, over 400,000 black men are incarcerated.

Contraceptives fail. Mothers can't always marry the fathers of their children. The Contract punishes black children for the circumstances of their birth, circumstances beyond their control.

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<sup>1</sup>A third of all black families in the United States today are poor, compared to only 11 percent of white families. Over 5 percent of all Americans now receive AFDC; about 17 percent of all black Americans do. About 14 percent of all American children receive support from AFDC; about 37 percent of all black children rely on AFDC for assistance. Since blacks are three times as likely to be poor as whites, it is hardly surprising that they are overrepresented on the welfare rolls.

*b. Families who rely on AFDC for more than five years.*

Only a minority of all AFDC users (15 percent of white women and about a third of black women) spend five or more years on welfare, but a majority of continuous long-term users are black. The average length of time black families spend on welfare is eight years. African-Americans are more likely to be on welfare for long periods because they are less likely to "marry off" of AFDC, because they are inadequately educated, and because they are likely to be stuck in low wage, temporary work. Because black Americans are on the rolls longer, they will be more likely to be assigned to the workfare programs the Contract would establish and more likely to hit the five year time limit and be pushed off assistance.

As the work requirements in the Contract phase in, long-term AFDC recipients are likely to be assigned to workfare programs. I urge you to think very carefully about the racial dynamics of the system you will be creating. Widespread workfare will create a sub-tier of laborers who are not subject to the normal rules of the labor market and are working involuntarily for sub-minimum wages. I would remind you that the States with the highest proportion of black AFDC recipients are in the South. Over 60 percent of all AFDC families in eight southern states (Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Virginia) are black. Five of these states (Mississippi, Alabama, Louisiana, South Carolina, Arkansas) are among the seven states with the lowest benefits (Texas and Tennessee are the other two). Working 35 hours a week in return for their AFDC benefits, would mean an individual would be working for \$.86 an hour in Mississippi, \$1.17 an hour in Alabama; \$1.31 an hour in Texas; \$1.32 an hour in Tennessee. *Do you mean to establish a work system that pays far less than the minimum wage and that will be filled with minorities?* How does this empower the poor or provide hope or opportunity?

Black families will also be overrepresented among those pushed off AFDC. If a five year time limit on AFDC had been put in place five years ago, about 54 percent of current black AFDC families would have exhausted their eligibility for support. So black families are the ones most likely to be forced off the rolls with no job at the end of five years. These are the families that will end up in homeless shelters. African-Americans already represent over half of all families in homeless shelters. Have you considered the impact that a large increase in the number of families entering the shelter system would have on urban areas and on poor communities?

*c. Block grants, States' rights and African-Americans*

This leads me to a final set of concerns about the Contract's welfare reform proposals to allow/encourage States make AFDC and nutrition programs into block grants.

I would humbly remind the Members that black men and women were deliberated excluded from New Deal social insurance programs for decades. Southern state legislators fought hard to have agricultural and domestic laborers made ineligible for public assistance.



And even when these rules changed, the informal practices of social workers in the South kept black families from receiving the same benefits as other families. It was not until the late 1950s and early 1960s -- as the Civil Rights movement broke down the barriers of legal segregation -- that poor African-American families were able to obtain access to the AFDC system. numbers.

Skeptics might ask if calls for "state flexibility" are another way of arguing for "State's Rights," which in the recent history of this nation has been a coded way of saying "we should be able to treat our black folks/poor folks any way we want." Let us remember that the federal government became involved in public assistance programs because many states, particularly those in the South, exhibited a dismaying tolerance for malnourished poor children and family destitution. In 1959, two-thirds of black children in the United States were poor. (And, at that time, over two thirds of black families were headed by two-parents.)

Over half of all African-Americans still live in the South today. As noted above, southern states tend to have the lowest benefits levels, the highest poverty rates and the lowest median income levels of any region in the country. The need is greatest where the capacity of local government to raise (tax) resources to meet the need is lowest. Even if Southern legislatures overcome the discrimination and exclusionary bias imbedded in the region's history, the economics of block grants will make it difficult for southern states to maintain the meager assistance available to a predominantly minority AFDC population. If the Contract's funding caps and block grant provisions are put in place, AFDC funding has to compete with childcare and housing programs. And states will have to find resources to maintain basic nutritional programs. It is instructive to note that when benefits are fully funded by the federal government (Food Stamps and the federal SSI program), the value of benefits has not eroded. In programs like AFDC, where states set benefit levels, the value of benefits has fallen dramatically over the past 20 years. If states are allowed more control over nutrition programs, their value is likely to fall, too. It is because of these regional inequalities that it is critically important to maintain the federal role.

African-Americans have made enormous advances over the past 35 years. Sometimes this is forgotten in the push for real equality. High school graduation rates are only slightly below those of whites. Child nutrition and health indicators have improved dramatically. In large part, these gains in child well-being measures were made because the federal government was willing to intervene and take responsibility for creating a national safety net for poor children -- regardless of color. If this national safety net is sacrificed to the call for state flexibility, we can expect to see regional and racial inequalities increase and the promise of equal opportunity will be lost.

Ms. DUNN. Thank you very much, Ms. McFate.  
We will finish up with Ms. Pérez.

**STATEMENT OF SONIA M. PEREZ, DIRECTOR, POVERTY  
PROJECT, NATIONAL COUNCIL OF LA RAZA**

Ms. PÉREZ. Thank you.

My name is Sonia Pérez, and I am director of the Poverty Project at the National Council of La Raza, and I am here to talk about real welfare reform.

Real welfare reform is about reducing poverty, gaining skills and jobs and protecting children. On behalf of NCLR, we appreciate the opportunity to present our views.

Latinos are projected to become the Nation's largest minority group in the next 20 years. As a group, Latinos, the majority of whom are U.S.-born, are diverse and face significant socioeconomic problems. In 1993, almost one-third lived below the poverty level.

But one of the most troubling aspects of the welfare reform debate is that it has been separated from the larger issue of poverty and has rarely included the factors that lead poor and/or unemployed families to use AFDC. In 1993, 41 percent of all Latino children and 61 percent of female-headed families were poor, due in part to low education levels, insufficient job skills, not enough work experience, poor employment options, employment discrimination, lack of child support, shortage of child care and AFDC regulations that do not reward work.

We recognize that the current system has not been effective at addressing these issues, and we agree that AFDC should be transitional, that adults who are able should work, and that children should be protected. But we are opposed to converting the AFDC Program into a block grant. Without the ability to increase funding in times of recession, we are afraid that many children and families who need short-term assistance will be turned away.

We are also opposed to irrational reductions in all social programs for the poor and the working poor. We do not consider all programs for low-income families to be welfare, and we believe that the Federal Government has both an interest and a responsibility in reducing poverty in the Nation. Clearly successful programs such as school lunch, WIC and food stamps should not be cut.

We vigorously oppose proposals to deny benefits to legal immigrants. Such immigrants enter the country legally, they pay taxes and they are required to serve in the Armed Forces during times of war. They come to reunite with family members who are American citizens and to work, not to collect benefits. It is unclear to us how such a proposal relates to reforming the welfare system.

Moreover, we are extremely disappointed that in the list of witnesses to appear before you, the experiences of low-income families, as well as the perspectives of Latino AFDC recipients, have been marginal. We believe it is critical that the Committee have a full understanding of what works and what does not work for poor families from the perspectives of the participants themselves. Similarly, the Committee should seek the expertise of Latino community-based organizations who serve poor children and families directly.

Finally, we believe that changes to AFDC should reflect lessons learned from previous reform efforts. A recent analysis that we completed of the JOBS Program, for example, suggests that we should focus on equity to ensure that Hispanics are well represented in job training, access so that AFDC participants are not treated differently from other unemployed and dislocated workers, types of training to ensure that educational or skill training is appropriate and useful, and placement. We think you all agree that emphasis should not only be on immediate job placement, but on helping recipients move into and keep permanent stable jobs.

I would like to close by stressing that we share your concerns. We are eager to support policies that redesign, not eliminate, features of AFDC which are not effective. We strongly urge that jobs and not simply work should be central to welfare reform efforts. And we ask that, as you question the desire of recipients to work, you also examine the role of employers who are reluctant to hire AFDC recipients or who hire workers part time solely to avoid providing benefits.

Finally, we hope that your goal in welfare reform will be to reduce poverty and to insure basic economic protections from State to State, and not punish children, families or immigrants.

Thank you.

[The prepared statement follows:]

**TESTIMONY OF SONIA M. PÉREZ  
NATIONAL COUNCIL OF LA RAZA**

**I. INTRODUCTION**

Mr. Chairman and members of the Committee, my name is Sonia Pérez and I am the Director of the Poverty Project at the National Council of La Raza (NCLR).

NCLR is the largest, constituency-based, national Hispanic organization and exists to improve life opportunities for the more than 22 million Americans of Hispanic descent. NCLR also acts as an umbrella organization for more than 180 affiliated Hispanic community-based organizations which together serve 37 states, Puerto Rico, and the District of Columbia, and reach more than two million Hispanics annually through a range of services. NCLR's Poverty Project works to improve the socioeconomic status of Hispanic families and children through research, community-based activities, and public information efforts.

On behalf of NCLR, I wish to express our appreciation to the Committee for the opportunity to submit our views and concerns on the impact of proposed welfare reform efforts on the Hispanic community. My testimony provides an overview of the U.S. Hispanic population with an emphasis on Latino poverty; a review of the key issues that concern Hispanics regarding welfare reform; a discussion of components for effective welfare reform; and conclusions and recommendations for current welfare efforts. As a point of clarification, the terms *Hispanic* and *Latino* are used interchangeably throughout this testimony. I would also like to clarify that I am defining "welfare" as one program: Aid to Families with Dependent Children (AFDC).

**II. DEMOGRAPHIC OVERVIEW AND CURRENT SOCIOECONOMIC STATUS**

Data from the 1990 Census show that Hispanics constitute the second largest minority group in the U.S.; currently, about one in 11 Americans is Hispanic (9.0%). Hispanics are more than one-third of the U.S. minority population (36%) and, as one of the fastest-growing and youngest population groups, are projected to become the nation's largest minority in the next 20 years. About two-thirds of Hispanics (64.2%) were born in the U.S. and Hispanics, as a group, are overwhelmingly concentrated in urban centers of the U.S. Their demographic status reflects a diverse population with a strong connection to the workforce, but significant socioeconomic problems.

The Hispanic population includes four major groups: Mexican Americans, the largest subgroup; Puerto Ricans; Cubans; and Central and South Americans. Hispanics live in every part of the U.S., but are heavily concentrated in five key states: California, Texas, New York, Florida, and Illinois.

According to the Census Bureau, Hispanics are younger, on average, than other Americans and are more likely to live in households with other family members. Following the trend typical of all groups over the past decade, a growing number of Hispanic children live with only one parent; in most cases, these families are headed by women. Census data from 1993 indicate that 23.3% of all Hispanic families were headed by women, compared to 13.6% of White and 46.7% of Black women.

The socioeconomic status of Hispanic families can be explained, in part, by three factors: undereducation, concentration in low-wage jobs, and high unemployment. As a group, Hispanics are more likely to enter school later and leave school earlier; in addition, Hispanics are especially likely to not complete high school and not enter or complete college. Despite comparatively lower levels of formal education, Hispanic men have the highest labor force participation rate of any major racial/ethnic group. The labor force participation rate of Hispanic women is slightly less than that of White or Black women, although it has been increasing in recent years. Yet, both Hispanic males and females are most often employed in low-paying jobs with limited opportunities for advancement and few benefits; for example, of all groups, Hispanics are the least likely to have any form of health insurance. In addition, Hispanic unemployment rates have been consistently high over the past decade; current data

show that 9.2% of Hispanic workers are unemployed, compared to 4.8% of Whites and 9.8% of Blacks. The combination of these factors fuels the low median income and high poverty rate of Hispanic families.

### III. HISPANIC POVERTY: A CRITICAL LINK TO WELFARE

One of the most troubling aspects of the welfare reform debate that began over a year ago is that it has been separated from the larger issue of poverty. Instead, the focus has been on the amount of federal funding spent on AFDC and on the behavior of poor women, and has rarely included the factors that lead poor and/or unemployed families to use AFDC. Nor has enough attention been focused on the majority of AFDC recipients -- poor children.

Latino families have been disproportionately affected by poverty. Almost one in three Hispanics (30.6%) are poor -- a rate which has increased steadily since 1980, up from 25.7%. Research and data reveal that, within the Hispanic population, the major groups affected by poverty include the working poor, female-headed households, Puerto Ricans, and children. Of all family types, Hispanic single-mother families are especially likely to live below the poverty line; in 1993, 60.5% of these families were poor.

The proportion of single-parent, especially single-mother, Hispanic families has increased over the past decade, reflecting a trend among all racial/ethnic groups. In addition to divorced and widowed women heading households, Census data show that about 27% of births to Hispanic women in 1992 were out-of-wedlock, up from 16% in 1982. NCLR is deeply concerned about the increase in single-parent Latino families. We know that families that are headed by one parent face greater social stresses and more economic difficulties than two-parent families.

In particular, family structure is a strong predictor of child poverty. Because single-parent families have high poverty rates, children in such families are likely to grow up in extreme and persistent poverty. Among all Latino children, two in five (40.9%) live below the federal poverty level. For those Latino children in female-headed families, more than one-half to three-quarters are poor. Further, for every two Latinos in poverty, one is a child.

Several factors contribute to the poverty of Latinas and their children. Research on and discussions with Hispanic single mothers show that these factors include:

- Low educational attainment and insufficient skills, including limited English proficiency;
- Limited employment experience;
- Restricted employment options, including high unemployment, and part-time or low-paying jobs that lack important benefits, like health insurance;
- Labor market discrimination on the basis of both national origin and gender;
- Lack of child support from non-custodial fathers;
- Shortage of child care options, which impedes full-time work; and
- AFDC regulations that do not reward work, but rather reduce or strip benefits from families as soon as they enter the workforce, before they are able to achieve self-sufficiency.

#### IV. LATINO CONCERNS WITH THE GOP PLAN

The Latino community shares the Committee's and the public's concerns regarding the ineffectiveness of the current welfare system. We believe that the program should be transitional, that adults who are able should work, and that children should be protected. There are, however, several key provisions of the GOP plan which are of serious concern to Latinos, including:

- **Converting the AFDC program into a block grant.** NCLR is strongly opposed to any provisions which seek to "reform" welfare but which will instead harm poor children and families. During previous periods of high unemployment or recession, Latino families have been disproportionately affected; without the ability to increase funding in times of recession to accommodate higher caseloads, such a provision would deepen poverty among Latinos. Under a block grant, it is likely that many children and families who need transitional, short-term assistance in order to meet basic necessities will be turned away. Previous experience indicates that Latinos will be overrepresented among those who need and are denied help.
- **Eliminating aid to children of unmarried young mothers.** NCLR is committed to reducing poverty in the Latino community and recognizes the role that teenage pregnancy and unmarried teenage births play in persistent poverty. We believe that it is both disheartening and appalling for 12 and 15 year-old girls to have babies, but we think it is more of a disgrace to ignore these children and allow them to grow up in poverty. We oppose provisions that permanently deny aid to a child born outside of marriage to a parent under 18 (or 21, at state option). Such "reform" will only intensify and sanction child hunger and poverty.
- **Terminating benefits with inflexible time limits.** AFDC is a transitional system and the majority of families who use AFDC do so for a limited time. Permanently denying AFDC benefits to families after two years and requiring states to place a five-year *lifetime* limit on AFDC benefits are excessive and irrational anti-poverty policies. Such restrictions would have the effect of worsening poverty for those who simply need temporary assistance. No child or family should be worse off as a result of "reform."
- **Reducing funding for or eliminating a range of low-income and working poor social programs, going well beyond "welfare."** While we agree that welfare reform is needed, we do not consider all programs for low-income families "welfare." We are opposed to irrational, mindless reductions in all social programs for the poor and working poor. In fact, we believe that the federal government has a responsibility to reduce poverty in the nation; clearly-successful programs such as school lunch, Women Infant Children (WIC) nutrition, and food stamps should not be on the table.
- **Denying benefits to legal immigrants.** We are deeply concerned about and vigorously oppose proposals to target legal immigrants who are not yet U.S. citizens as a way to finance a proposal meant to reduce poverty. Such immigrants enter the country legally, pay taxes, and are required to serve in the armed forces in times of war. They come to reunite with family members who are American citizens and to work -- not to collect benefits. It is unclear to us how such a financing proposal relates to reforming the welfare system; rather, it reflects a variety of serious misconceptions about immigrant use of public benefits and a conscious decision to cynically exploit anti-immigrant sentiment in this country.

As proposed, we are certain that the GOP plan will deepen poverty among low-income families and children and cause hardship among middle-class and working poor families. Many of the principles underlying the GOP plan are contrary to anti-poverty policy and will instead exacerbate poverty in urban and rural communities across the country.

## V. COMPONENTS OF EFFECTIVE WELFARE REFORM FOR LATINO FAMILIES

In addition to our concerns about the potentially harmful aspects of the GOP plan, we ask that the Committee consider two other points as it undertakes welfare reform. First, we are extremely disappointed that in the list of witnesses to appear before you, the experiences of low-income families as well as the perspectives of Latina AFDC recipients have been marginal to non-existent. We believe it is critical that the Committee have a full understanding of what works and does not work for poor families within the current AFDC system -- from the perspectives of the participants themselves.

Second, we believe that changes to the current AFDC program should reflect lessons learned from previous efforts at reform. For example, NCLR's recent review of the Job Opportunities and Basic Skills Program (JOBS) -- the current AFDC employment and training program -- shows that Hispanic women are underserved by JOBS. While Latinos constituted 17.8% of nationwide AFDC cases, they were 12.8% of nationwide average monthly JOBS participants. Moreover, Latinos were underrepresented in JOBS programs in seven of the ten states with the largest Latino populations. As a similar study by the General Accounting Office (GAO) found, JOBS programs that are insufficiently funded; do not provide adequate support with day care and health care while women attempt to rejoin the workforce; and which do not increase education and skill levels, appear to be the least effective at helping Hispanic AFDC recipients move into the workforce permanently.

Based on NCLR's experience with and knowledge of the Latino community, we believe that the following elements are central to effective welfare reform for Latino families:

- **Training and Education.** The goal of permanent separation from the welfare system requires greater consideration of the education and training provided by federal and state programs. For Hispanics, several concerns must be addressed:
  - **Equity.** Hispanics -- who have been historically underserved by federal training programs -- must be equitably and effectively represented in education and job training programs designed to integrate AFDC recipients into the workforce.
  - **Access.** AFDC participants should not be treated differently from unemployed and dislocated workers, and should have access to a broad range of training options, including those administered by the Department of Labor. In addition, employment and training programs should be encouraged to place a greater emphasis on identifying effective ways to serve those who are "hard to place."
  - **Types of training.** Some Hispanic women need basic education and English-as-a-Second-Language classes before they can participate in training for higher-paying jobs or successfully hold a full-time job. In these cases, arbitrary time limits would impede their efforts to leave welfare. For others, on-the-job training may be the most effective preparation for re-entering the workforce. For all, educational or skill training should be appropriate and useful -- and geared towards the jobs available in the areas where they live.
  - **Placement.** Emphasis should not only be on immediate job placement, but on helping recipients move into permanent, stable jobs. With strict time limits, recipients with very low educational levels or special needs may not receive education of sufficient quality and duration to get and maintain a stable job, and may be disqualified from more advanced training. For these women, they may need to return to welfare after an initial placement.

- **Transportation.** In remote areas where jobs do not exist or in situations where single mothers must travel to work, problems with transportation must be addressed.
- **Child Support.** Limited data exist regarding Hispanic women and child support, although recent research indicates that Hispanic women may be much less likely than their White counterparts to receive the child support they are owed. Low earnings and high unemployment among Hispanic men compared to White men may help to explain this discrepancy in child support. Policies must address the financial gap of absent child support payments that single mothers must fill.
- **Child Care and Health Care.** In order for Hispanic women to participate in training programs or to work full-time, diverse, quality child care options are imperative. Similarly, research shows that a major reason why Latinas use AFDC is because it provides health care for their children – which many low-wage jobs do not. To support women as they move into the workforce and to prevent working poor families from needing AFDC, both types of care are essential.
- **Job Creation Strategies.** While it is clear that a lack of skills is a major concern for AFDC recipients, an equally serious problem is a lack of private sector jobs. In urban areas of high unemployment, or in rural areas with few economic investments, private sector jobs are scarce and competitive, and require well-developed skills. In addition, where jobs do exist, many are low-paying, offer inflexible work hours which do not meet the needs of single mothers, or provide few benefits. Moreover, there is evidence which shows that, in areas of high unemployment, there are large pools of applicants for few slots. Welfare reform should include strategies to respond to these problems.

## VI. CONCLUSIONS AND RECOMMENDATIONS

Taken together, the above discussion suggests that effective welfare must be comprehensive and must attack poverty – not poor people. The National Council of La Raza encourages the Committee on Ways and Means to develop and promote policies that:

- **Reform welfare with the goal of reducing poverty.** Welfare reform efforts should not seek only to reduce welfare rolls, but also to reduce poverty among children and families.
- **Focus on moving AFDC recipients into the workforce, but also address the specific barriers that single mothers face.** Welfare should be a transitional program that provides support and protection to children and poor families. Adults who are able should work, but those women who fulfill program requirements and are unable to find employment should not be punished. Barriers such as low skill levels, limited work experience, lack of day care and child care, and high unemployment are real problems women face as they try to leave the welfare rolls.
- **Provide appropriate training which recognizes both the special needs and the non-traditional skills single mothers bring to the table.** Training should take into account the education, work experience, and English-proficiency level of participants. In addition, skills such as bilingualism should be considered a valuable asset which, with appropriate training, could qualify single mothers for careers in many areas of the increasingly global economy.
- **Recognize the limitations of the private sector in creating and filling jobs for underskilled workers.** Some private sector employers are reluctant to hire AFDC recipients because they have underdeveloped job skills and low levels of education, and because they need day care and health care for their children. Some hire workers part-time solely to avoid providing benefits. And some are not willing to invest in



high poverty areas. The role of employers must also be examined and addressed for welfare reform efforts to be effective.

- **Maintain protections for children.** Welfare reform has become a way to target poor families, and to "get tough" and punish the behavior of some adults. Given that two-thirds of AFDC recipients are children, we face a great danger in harming future students, workers, and taxpayers. We must ensure that welfare reform does not go too far and threaten the health and well-being of our children.
- **Seek to expand state flexibility without abandoning the federal government's role in assisting poor families.** It is true that public assistance strategies that work in Texas may not work in New York. However, it is also true that basic economic protections for families should not differ from state to state. The AFDC program was established because the federal government believed it needed to ensure that poor, near-poor, and working poor families and their children were not denied minimum standards of food and other necessities. Efforts to give states more control over AFDC should not mean that the federal government abdicates its responsibility for meeting the needs of the poor.
- **Reject financing provisions that take resources away from a politically vulnerable group of low-income Americans to pay for welfare reform.** Paying for welfare reform, in part, by making it more difficult for legal immigrant family members of U.S. citizens to participate in federal public benefit programs, will exacerbate poverty among immigrant communities -- an outcome contrary to the goals of welfare reform. Such a proposition creates unnecessary distinctions among the poor and diminishes the legitimacy of a public policy aimed at reducing the nation's poverty.
- **Involve community-based organizations in the design and implementation of welfare reform strategies.** In the Latino community, community-based organizations have assumed a special responsibility and demonstrated their ability to successfully improve the status of Hispanic families. As the Committee shapes welfare reform strategies, it should seek the knowledge and expertise of groups who serve poor children and families directly.

The options for Latina and other single mothers are limited and the obstacles to self-sufficiency are substantial. Current policy positions serve only to discourage these mothers and thwart their attempts at maintaining their families through work. NCLR believes that the current welfare reform debate presents the Committee with an opportunity to re-shape flawed pieces of the existing public assistance system. The current AFDC structure, from poorly-funded training programs to rules that discourage work, needs to be altered. We share your concerns about the growth in factors which contribute to the need for welfare, including high rates of child and family poverty, low educational attainment, high unemployment, and teenage pregnancy, and agree that we should seek alternative responses to these concerns. We are eager to support provisions and policies that redesign -- not eliminate -- features of AFDC which are not effective.

Similarly NCLR shares the Committee's concerns related to the appropriate use of public benefits by legal immigrants who are sponsored when they enter this country. We believe that some revisions in current policy may be helpful, but urge the Committee to refrain from measures that would threaten the overall well-being of a vibrant segment of the American population. Finally, we strongly advocate for the protection of children as the Committee considers welfare reform. Attempts to reform regulations and program requirements must not translate into greater numbers of poor children.

Thank you for the opportunity to discuss these issues; I would be happy to answer any questions.

Ms. DUNN. Thank you very much, Ms. Pérez.  
We will finish with Cheri Honkala.

**STATEMENT OF CHERI HONKALA, EXECUTIVE DIRECTOR,  
PENNSYLVANIA WELFARE RIGHTS UNION, PHILADELPHIA,  
PENNSYLVANIA**

Ms. HONKALA. My name is Cheri Honkala. I am a welfare recipient, a human being, and I can speak for myself.

I am part of a volunteer community group in my neighborhood in Philadelphia which works with AFDC mothers and is interested in eliminating poverty, something I have seen very few people talk about.

Thank you for scheduling additional hearings so as to hear the voices of other people in this country. As a poor mother, I agree with Members of Congress that the welfare system must change in fundamental ways. However, I am disturbed about the assumptions many people make about welfare recipients and the demeaning ways that they talk about people like me.

I love my son and I do the best that I can for him. I am really proud of him. He is 14 years old and he is a good student. He goes to a magnet high school and he had to pass a competitive exam to get in. He is not on drugs. He is not violent. He is a really good kid.

Things have not been easy for us. Sometimes we have been homeless and sometimes we have been hungry. I want my son to understand that just because we are poor does not mean that we are not good people. My son is hurt every time someone talks about women who get welfare as being terrible people and bad mothers, incapable of raising their own children.

When I was a teenager, I had to leave my home because of violence in my family. When I was 17, I got a job at the Red Barn, a fast-food restaurant in Minneapolis. I moved into an efficiency apartment with a girlfriend. While I was working, I became pregnant. At this point, going on welfare was the last thing on my mind. However, while pregnant, I was laid off from my job and I had a lot of trouble finding work. Because welfare in Minnesota was not available to women until late in their pregnancies, welfare for me was not an option. Since I had no income, I could not pay my rent and I was evicted. I had nowhere to go and I had to sleep in my car every night. Then a drunk driver hit my car and I became homeless on the streets and stayed in a series of shelters.

Finally, in my last trimester, I became eligible for AFDC benefits. Welfare helped me and my newborn son Mark get back on our feet. Welfare made it possible for me to get a high school degree and to go on to college. I found work again and held a series of different jobs in Minneapolis. Over the years, I have worked at every possible job that you can imagine.

Eventually, I got married and moved to Philadelphia, where my new husband had a job. I also got a job in Philadelphia. After about a year, I was laid off and I could not find another job. The stress of trying to live on one income put a severe strain on my marriage and my husband and I broke up. When I got divorced, my son and I had nowhere to go and nothing to fall back on once again. Most

of my family and friends were back in Minnesota and I was unemployed.

Although I pounded the pavement looking for work and put out tons of resumes, I was finally forced to apply for welfare once again. Like most welfare recipients I know, I would much rather work and be able to survive and live with dignity than to be on welfare. I just could not find the jobs. They do not pay enough to live on and they do not provide health care benefits for me and my son. I hope that I will find another job soon, but when I do find another job, I worry about what will happen if I get laid off again. I am 32 years old now and my son is in the ninth grade. I am not a teen parent any more.

But under the Personal Responsibility Act provisions, cutting off AFDC for children born to teen parents, my son would not be eligible for help now 14 years later. It would not matter that I have been employed. It would not matter that I have been married. It would not matter that I have an education. The only help we would be offered is foster care or a group home for my child. Over my dead body will I let my child be taken from me just because I am unemployed or on welfare.

The value of the safety net can be told I think in my experience and in the experience of several other women. Without it, things would have been devastating. I have needed welfare several different times in my life in order to finish my high school, in order to survive when my marriage broke up, and again when I have been laid off from jobs. If welfare had not been available when we needed it, my son and I would have been sleeping on the streets of America. Welfare helped me hold my family together and take care of my son.

I also think that people do not understand that when you are on welfare, sometimes women experience being beaten, they have other problems, and they are trying to get out of domestic abuse. What would we want these women to do, stay in those domestic violence situations?

Ms. DUNN. Ms. Honkala, I am sorry but I am going to have to cut you off. You have told a very poignant story and we will hope to continue that in the questioning.

[The prepared statement follows:]

Testimony of Cheri Honkala  
Philadelphia, Pennsylvania

Before the House Ways and Means Committee  
Subcommittee on Human Resources  
February 2, 1995

My name is Cheri Honkala. I am a welfare recipient. I'm part of a volunteer community group in my neighborhood in Philadelphia which works with AFDC moms.

Thank you for inviting me to testify today and thank you for scheduling additional hearings on welfare reform so that members of the public have an opportunity to present their ideas and opinions. I am honored to be asked to speak about the problems my son and I face.

As a poor mother, I agree with members of Congress that the welfare system must change in fundamental ways. However, I am disturbed about the assumptions many people make about welfare recipients, and the demeaning ways that people talk about us.

My Story

I love my son and I do my best to take care of him. I'm really proud of him. He's 14 years old, and he's a good student. He goes to a magnet high school that he had to pass a competitive exam to get into. He's not on drugs; he's not violent; he's a really good kid. Things haven't been easy for us. Sometimes we've been homeless, and sometimes we've been hungry. I want my son to understand that just because we're poor doesn't mean that we aren't good people. My son is hurt every time someone talks about women who get welfare as being terrible people and bad mothers.

When I was a teenager I had to leave home because of domestic violence in my family. When I was 17, I got a job at Red Barn, a fast food restaurant in Minneapolis. I moved into an efficiency apartment with a girlfriend. While I was working, I became pregnant. At this point, going on welfare was the last thing on my mind. However, while I was pregnant I was laid off from my job and had a lot of trouble finding work. Because welfare in Minnesota wasn't available to women until late in their pregnancies, welfare wasn't an option for me.

Since I had no income, I couldn't pay my rent and I was evicted. I had nowhere to go, and I had to sleep in my car every night. When a drunk driver hit my car and totalled it, I had to live in a series of shelters. Finally, in my last trimester, I became eligible for AFDC benefits. Welfare helped me and my newborn son, Mark, get back on our feet.

Welfare made it possible for me to go back to school and get my high school degree. I found work again and held a series of different jobs in Minneapolis. Over the years, I worked in a cafeteria, as a nursing assistant, as a cashier, as a waitress, and doing child care. Eventually I got married and moved to Philadelphia, where my new husband had a job. I also got a job in Philadelphia.

After about a year on the job in Philadelphia I was laid off and couldn't find another job. The stress of trying to live on one income put a severe strain on my marriage and my husband and I broke up. When I got divorced, me and my son had nowhere to go and nothing to fall back on. Most of my family and friends were back in Minnesota and I was unemployed. Although I pounded the pavement looking for work, I was finally forced to apply for welfare again.

Like most welfare recipients I know, I would much rather work than live on welfare. Whenever I can find work, I take it. But the jobs I can find don't last, don't pay enough to live on, and don't provide health care benefits for me and my son. I hope that I will find another job soon, but I worry about what will happen if I get laid off again.

I'm thirty-one years old now, and my son is in 9th grade. I'm not a teen parent anymore, but under the Personal Responsibility Act provision cutting off AFDC for children born to teen parents, my son wouldn't be eligible for help now, 14 years later. It wouldn't matter that I've been employed, it wouldn't matter that I've been married, it wouldn't matter that my son is well-behaved and a good student. The only help we would be offered is foster care or a group home. I love my son.

It would hurt both of us terribly to be separated. He doesn't need to be raised by strangers, and I don't need a group home. What we do need is money to live on and help finding a stable job at a living wage with health benefits.

The Value of the Safety Net

I think that my experiences, and the experiences of women I know, show how important welfare is to our survival.

First of all, welfare is an important safety net for poor families. I've needed welfare at several different times in my life -- in order to finish high school, then later when my marriage broke up, and when I've been laid off from jobs. If welfare had not been available when we needed it, my son and I would have been sleeping on the streets. Welfare helped me hold my family together, and take care of my son.

Second, I know from my own experiences, and from talking with other welfare recipients, that young women do not have babies in order to get a welfare check. Because of the hardship I went through, I tell young women I know to wait to have kids until they are really ready. But I know that cutting off welfare for teen parents will end up hurting the children; it won't stop teenagers from getting pregnant.

Third, many of the women I know who get welfare have been beaten up by abusive boyfriends or husbands. A lot of times battered women lose their jobs, because of the abuser making trouble. Welfare is often the only thing that makes it possible for a woman who is being abused to get away and to protect her children from the violence. I get upset when people say that women who get welfare should have gotten married instead, or should have stayed married, because I think they must not understand that for women who are being battered, staying married means broken bones and black eyes and danger for their children.

I also think that people don't understand that when you're being beaten, you don't have choices about when to have sex or whether you get pregnant. I know women who have been forced to have sex, who have been beaten because they said no, or because

they tried to use birth control. I know young women who have gotten pregnant as the result of rape or incest.

Fourth, most people who get welfare have worked in the past and want to work now. Welfare benefits are extremely low. My son and I barely survive on \$316 a month in AFDC -- the maximum grant in Philadelphia -- and another \$212 in food stamps. It is almost impossible to live on that amount of money. There just aren't enough jobs for everyone who wants to work.

In my community, for instance, the Scott Tissue Company, the William Penn Company and the Philadelphia Navy Yard all recently closed. The electric company just laid off 2,000 more people. The unemployment rate in Philadelphia is 8%. Arbitrary time limits on welfare don't recognize how hard it can be to find and keep a job in today's economy.

The low-paying jobs I've gotten don't have health care benefits or sick days and don't pay enough to cover the costs of decent child care and transportation to work. All of these things are necessary for women with children to keep our jobs.

Without sick days and reliable health care, child care, and transportation, poor women end up missing work and risk losing their jobs. If your kids get sick, you have to miss work. If your child care provider gets sick, you have to miss work. I know many women who were fired when they missed work because of an ill child or a sick elderly parent. Meaningful welfare reform has to recognize that without child care, health care and transportation, low income mothers can't get and keep jobs.

Another thing I know from my own experiences is that welfare benefits are not enough for a family to live on and look for work at the same time. Just living on welfare means constantly scrambling. I have had to sell my last belongings at a pawn shop; my son and I get our clothes at a thrift store; we've had to wait in lines at the soup kitchen, and go without heat when I can't pay the bills. Our phone is shut off more often than it's on.

Looking for work costs money. To look for work you need money to either pay your phone bill or to buy quarters to call from a pay phone. If you can't afford a phone, which I often can't, prospective employers can't call you back. You need money to buy a newspaper to read the want ads or money to get to the library to read the paper there. You need money to buy shampoo and detergent to look acceptable at a job interview. AFDC grant amounts should be increased and the AFDC rules should be changed to allow families to find jobs and to keep a little of their welfare money as they make the transition to work.

Poor mothers like me struggle to do what's right for our families and we are good parents. The assumption that poor families don't take good care of their children is wrong. When I was a teenage parent I did everything I could to make sure Mark had what he needed.

You may look at me and think that because I'm on welfare there must be something wrong with me, that somehow it's my fault that I'm poor. I am here to tell you that there is nothing wrong with me. I am a hard working person and a good mother. **Everyone needs help sometime.**

Thank you.



Ms. DUNN. I will now call on Mr. McCrery for questions.

Mr. MCCRERY. Thank you, Madam Chair.

I want to thank the witnesses for coming today and bearing with us through a long day of testimony from a number of panels.

Ms. HONKALA, I want to congratulate you on your seemingly tireless efforts to take care of your family and to search for work. That is what we hope to accomplish through reforming the system—to encourage others to do as you have done and be persistent in searching for work.

Would it help you in your current situation if we were to make some provision for a continuation of Medicaid benefits, for example, after you got a job? Would that expand the opportunities for you to take work and not be disadvantaged economically?

Ms. HONKALA. Yes. My son has had chronic ear infections and, without medical coverage, he probably would have gone deaf due to my inability to pay for things like amoxycillin. However, a more fundamental question beyond the medical care is if we would be able to eat in the time being.

Mr. MCCRERY. We certainly want to investigate the possibilities of providing incentives not only in the form of taking benefits away, but I think we need to investigate, based on situations like yours, the possibility of providing incentives for you to work by saying that we are not going to take away everything if you find a job that does not pay you enough for—

Ms. HONKALA. What if you cannot find a job?

Mr. MCCRERY. If you have 5 years to find a job, we are hopeful that you will be able to find a job. If we are successful in making some of the reforms not only in welfare, but in the Tax Code as well, we hope that there will be more jobs, more good jobs in this country than there are today.

Ms. HONKALA. But what about people like me that have been on and off of public assistance and would be slated to be cut off, even though I have tried to look everywhere possible for employment? What would I do with my child?

Mr. MCCRERY. Of course, we are only talking about cash payments. We are not talking about Medicaid or food stamps. Those would continue.

Ms. HONKALA. But I cannot pay rent with food stamps.

Mr. MCCRERY. No, you cannot, but we are counting on you finding a job, first of all, if we are successful in creating more jobs. Second, we are counting on you depending on other community resources if you find yourself in the position where you just absolutely cannot find a job.

Ms. HONKALA. But I have been on national television saying I need a job, and I would think by now, if there was a job out there, that I would have gotten it by now.

Mr. MCCRERY. Well, I would submit to you that there are jobs out there and I am hopeful that you will find another job. I appreciate your bringing to our attention some of the pitfalls in the current system, as well as some proposed ones that are currently before this Committee. I think, based on your testimony and other testimony we have received, we are going to have to look at some different ways of approaching this problem.

Thank you. I thank all of you for joining us today.

Ms. DUNN. Thank you, Mr. McCrery.

Mr. Ford will inquire.

Mr. FORD. Thank you, Madam Chairman.

Ms. McFate, is there anything in this Contract With America, which is better known as the Personal Responsibility Act, that would help mothers stay off welfare?

Ms. MCFATE. I would like to say yes, but I think the answer is no. We know that one of the biggest problems that we have that nothing in this bill seems to deal with is the issue of cyclers, is the issue of women, and it is about 45 percent of the population by the most recent research, people who are on for a couple of years and get off and get a job and have to come back.

The only thing that you are going to do to deal with them is to deal with some of these labor market support issues. You are going to have to deal with child care, you are going to have to deal with health care, and you are going to have to deal with insuring that there is child support coming into these households to shore up those low wages. There is nothing in this bill that really deals with the issues of the low-wage labor market that women find themselves cycling in and out of. Until you do that, you are really not going to address the problem that the largest group of AFDC recipients face.

Mr. FORD. Is there anything in this bill within the 2-year time limit that would offer any type of education and training to work?

Ms. MCFATE. My reading of the bill is that there is nothing that says that States have to do any kind of education or training program, so that they could set up a program—

Mr. FORD. In other words, they just give you welfare for 2 years under the Personal Responsibility Act, this Contract With America, and after 2 years they cut your cash benefits off with no assistance, no help on training, no skills to be offered to anyone other than the fact that you stay on for 2 years, and after 2 years you are off the cash benefits of welfare?

Ms. MCFATE. Exactly. When the time limit is up, it is out of here, goodbye, we do not know what is going to happen to you.

Mr. FORD. Do you know of anything in this bill that would assist you during those 2 years to enable you to be prepared or to get you job-ready to go into the work force?

Ms. MCFATE. There is nothing in the bill that says that States have to provide any kind of job readiness, skills training or educational help.

Mr. FORD. Should we give the States that type of flexibility, without any Federal or national standards?

Ms. MCFATE. I think it would be very dangerous to do that. We know that one of the reason the States have not been doing as much in that direction as they could—they can do all of that now. You have to remember that. Under current law, you can put somebody in a workfare program for 35 hours a week now under current law. The States do not do it, because it costs so much and they know they do not know how to do job placement very well, and it is a big hassle for them.

Now they could be providing education and training programs, but a lot of States do not want to incur the added expenses, even with the matching grants that the Federal Government gives. So

there are real issues here about whether States are going to be able and willing to invest in the things that we know need to happen in order to get people into the labor market. It is all well and good to say let us devolve down and give it to the people that are closest, but if they do not have the resources to do it—as I said, they can do it now and they have not been doing it. So it does not look real good to me to think that they are somehow going to do in the future what they have not done now which they could do.

Mr. FORD. Under the last tax policy before the Congress, we had the earned income tax credits put into law. Why is it that we have not seen more welfare recipients leave the welfare rolls on those minimum wage jobs, knowing that a family of three would be supplemented at the tune of about \$3,200 annually?

Ms. MCFATE. Part of it is that they are not being told about those in the local welfare offices.

Mr. FORD. They are not being told that they can receive those benefits?

Ms. MCFATE. I think that the local welfare office's orientation is not about getting people prepared for and into the labor market at this point in time.

Mr. FORD. The States want all this flexibility, and you are telling me that the States who run these health and human service offices are not informing their caseworkers to work with welfare recipients to let them know what benefits they would receive, if they receive these minimum wage jobs?

Ms. MCFATE. This is what we are asking, all of us, all the panels, regardless of your political orientation and ideology. All the panels have come in and said we want to make welfare into a system that moves people into the work force. That means completely changing the bureaucracy and the minds of the people who are working in local welfare offices. All they do is check off eligibility for income. They are not about trying to give people the kind of case management they need to individually set up with them contracts and then try to do what they need to move into the work force. We really have to completely redo that bureaucracy, if we want to make any progress on this.

Mr. FORD. My time is expired. Thank you.

Thank you, Madam Chairman.

Ms. DUNN. Thank you, Mr. Ford.

We will move to Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Madam Chairman.

Ms. McFate, we are all trying to do that. We all realize, no matter which side of the aisle we are on, that statistic taking and quality control is not going to lead us to welfare reform, so I think we do know that.

Ms. Smith, I am looking over your testimony and I just want to point to one thing and ask you a question about it. You gave us an example of Bonnie Leif, an alumna of your project who took 4 years to complete a nursing degree and go on, and you praised her efforts. Do you realize that under the Personal Responsibility Act she would not have 4 years, she would have 2 years?

Ms. SMITH. Yes, and that is a concern to me. I hope that the panelists and Congress will understand that these are women with children and families to care for, and so if you expect all of them

to go through in 2 years, when even the young students 18 years old without children living at home are not doing it any more, if you look at the national statistics, then I beg you to consider that they may need a small amount more time, and I gave you some examples of that in my testimony, as well.

Mrs. KENNELLY. Thank you.

In your role as a college president and a person who has really put some time into this whole situation, let me ask you about this. Although the Personal Responsibility Act would not offer jobs to recipients who reach their State's time limit and are unable to find work, it would require States to impose work requirements on a growing proportion of families of Aid to Dependent Children recipients as they received the assistance. I believe the Contract reads they would work 35 hours a week to work off their checks. Do you think this is realistic, in talking about people who have trouble finding jobs, as Ms. Honkala told us. Do you think with your studies of the situation that this is a realistic situation we are talking about, that you are going to get all of these people into the work force?

Ms. SMITH. Well, I think that you will not find a system that will do it all for everyone, and so let's not even try to do that and let's make it as local as possible, so that local communities that care can help the individuals. I think the question about education is very pertinent. There are examples in Iowa where the JOBS Program works with the community college, they have the highest statewide percentage of cases with earnings in the country because they do train the recipients. We must train them and we must give them time. They are human beings.

If you have children, they did not all go through school in the same amount of time with the same success rate, especially if the woman enters without developmental skills. What if she has to get her high school diploma first?

Mrs. KENNELLY. So you are saying the idea of 2 years for many people is not really common sense?

Ms. SMITH. I think it is a worthy goal. I would like to see phasing that such as at the end of 2 years, if the student has made sufficient progress and the college will attest to that, give them the extra time to finish.

Mrs. KENNELLY. Thank you.

Ms. DUNN. Thank you, Mrs. Kennelly.

Ms. Smith, I would like to ask you a further question. The State of Illinois' Governor's office, are they using the community college system to the degree at which it can be helpful in doing the training for people who want to go back to the work force and connecting with the local communities to find private sector jobs?

Ms. SMITH. That is certainly an initiative in Illinois and the Opportunities Program that comes through our community college board has placed I believe about 10 of the 50 community colleges. They have not been able to get the funding and figure out how to do it in all of them. Again, we see success in those welfare recipients who can go through that program, because you have colleges with advisors and counselors who can help students develop their career plans, rather than sitting down in an employment office where it is just a perfunctory task. People are not talking to them,

as you said. They must develop a plan. Yes, Illinois is making steps in that direction.

Ms. DUNN. And among your colleagues who are presidents of community colleges around the country, do they believe that their skills are being called upon to an adequate extent?

Ms. SMITH. Not to an adequate extent. We believe that we should be hooked into every private industry council and every welfare program, and in some States it happens, in some it does not. In some communities it happens, and in some it does not. It is really political.

Ms. DUNN. I understand. It sounds like that should be certainly a subgoal of any program we put into effect to encourage or give some incentive to the Governors and the State operations who may be taking over this very complicated welfare program through block grants to be in very close touch with one of the best sources of training and employment.

I thank the panel very much. We could have spent hours with you, and I am sure we have lots more to learn from what you can give to us. But time requires that we end this panel and go on with our next panel.

Thank you very much.

The next panel will be composed of David Baker, who is director of the Public Division of the Service Employees International Union; Leslie Wolfe, president, Center for Women Policy Studies; Charlee Archambault, JOBS Director for the Rosebud Sioux Tribe, on behalf of the Indian and Native American Employment and Training Coalition; Cynthia Newbille, executive director, National Black Women's Health Project; and T. Michael Pitts, executive director of the Children's Rights Council.

I thank the panelists very much for coming before us. I will reiterate what you have heard before as you have been in the audience, that we do have time constraints today. Much to the detriment of folks who are sitting here trying to glean information from what you have come to tell us, I will ask you to keep your testimony to 5 minutes and you will be timed by the three lights that are in front of you. When the middle light goes on, the yellow one, you will have about 40 seconds left to go. On the red light, I will have to ask you to conclude your testimony. We will certainly make sure that the rest of your testimony will be included in the record, but we must at that time move to questioning.

Let us begin this panel with David Baker.

#### **STATEMENT OF DAVID BAKER, DIRECTOR, PUBLIC DIVISION, SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO**

Mr. BAKER. Good afternoon.

My name is David Baker, and I am the director of the Public Sector Division of the 1.1 million member Service Employees International Union. I am here today on behalf of SEIU's public employees who administer the welfare rolls, as well as the majority of our members who are drawn from the low-wage labor market.

I thank you for the opportunity to voice SEIU's concerns over current proposals to reform the welfare system. We have submitted a full written statement which I would like to summarize today.

My testimony today will focus on two approaches to welfare reform, the Personal Responsibility Act and the welfare block grant proposal. We believe that these two reform alternatives pose serious threats to State and local finances and could also wreak havoc on the low-wage labor market. In this report, "Block Grants and Backdoor Budget Cuts," which we have provided to the Committee, we have explored the funding changes on a number of block grants and their related categorical programs over the most recent 5- and 10-year budget cycles. The findings clearly demonstrate that funding for block grants lag far behind those for categorical programs that perform similar functions.

Between 1985 and 1994, block grant funding lagged 11 percent behind categorical funding. Likewise, from 1990 to 1994, funding for the block grants lagged 25 percent behind categorical programs. The report also found that States would have lost nearly \$20 billion in Federal funding in 1994 alone, if the categorical programs had been folded into block grants, or between 20 and 50 percent of their Federal funding for these programs.

Although this analysis does not explore the possibility, there is no doubt that if entitlement programs were converted into block grants, States would stand to lose a great deal more. States would probably have to cap enrollment for programs such as AFDC and food stamps during recessionary periods due to a lack of funds, and many needy people would be denied the safety net that these programs are supposed to provide in the first place.

A number of policies in the PRA also have negative implications in the low-wage labor market. The PRA's large-scale work program will force low-wage unskilled workers to compete for jobs with over 1 million welfare clients. What employer would choose to hire a nonwelfare recipient to fill a job opening for \$5 an hour, when they could hire someone full time from the welfare rolls for free? SEIU has already seen displacement taking place where low-wage workers end up losing their jobs.

In Pennsylvania, for example, a contractor bidding for a government service contract at Haverford Hospital was given a tax credit for hiring welfare recipients, and so was able to underbid his competitors. The result, 35 workers who had jobs lost their jobs and probably ended up on welfare themselves.

SEIU recognizes the need to bring real reform to our current welfare system. A reform initiative such as the PRA and the block grant approach seem intent on dismantling the current welfare system, without coming up with a workable alternative to put in its place. We propose a number of solutions for reforming the welfare system which we have included in our written statement, two of which I would like to touch on here.

First, we must protect current low-wage workers and their jobs by incorporating basic labor standards in welfare reform. Our bottom line concern is that any efforts to create jobs for welfare recipients should not have a negative impact on local job markets. The first step in avoiding this kind of wage undercutting situation is to maintain all of the displacement language currently existing under the Family Support Act.

Rather than relying on a large-scale workfare-type program as described under the PRA, the emphasis should be on the creation

of prevailing wage jobs in the private sector. Basic labor protections must not be stripped from welfare reform, leaving both current low-wage workers and welfare recipients in danger. Under no circumstances should workers lose their jobs to a welfare client paid the equivalent of a subminimum wage in exchange for benefits.

As a union representing tens of thousands of welfare case-workers, SEIU knows firsthand the kinds of worthwhile contributions these workers can bring to the reform process. But in order to gain the full benefit of their expertise, we need to empower these workers to have greater authority over implementing needed changes to their jobs. As the Committee proceeds with the task of reforming the welfare system, we urge you to carefully consider our recommendations.

Thank you very much for your attention.

[The prepared statement follows. The report, "Block Grants and Backdoor Budget Cuts," is being held in the Committee's files.]

**TESTIMONY OF DAVID BAKER  
SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO**

Good morning. I am David Baker, Director of the Public Division of the 1.1 million member Service Employees International Union (SEIU). Although SEIU represents workers in all facets of the service sector, the majority of our members are drawn from the low-wage labor market -- including nurse aides, orderlies, janitors, clerks, and food service workers. Thank you Chairman Shaw, and the other members of the subcommittee, for the opportunity to voice SEIU's concerns over current proposals to reform the welfare system.

As a union divided roughly equally between public and private sector workers, SEIU brings a unique perspective to the debate over welfare reform. Our members have witnessed the crisis in the welfare system from both sides -- from the vantage point of the public employees who administer the welfare rolls, as well as the thousands of low-skilled workers employed at the margins who themselves are on the brink of welfare receipt.

The testimony I will present today will focus on two possible approaches to welfare reform: the Personal Responsibility Act (PRA) championed in the Contract with America, and the welfare block grant proposal advanced by Governor Engler and others. SEIU believes that these two reform alternatives pose serious threats to state and local finances and could also wreak havoc on the low-wage labor market. Block grants, which play a key part in the PRA as well as the Governors' proposal, amount to little more than backdoor ways to reduce funding to the states. And both of these reform plans penalize low-wage, unskilled workers by forcing them to compete for jobs with welfare clients earning subminimum wages.

**Block Grants Are Backdoor Budget Cuts**

The PRA consolidates 10 food assistance programs into a single block grant to the states, and also gives states the option of converting AFDC into a block grant program. The governors' proposal goes even further, as it would transform the entire federal-state welfare system into a massive block grant to the states.

Consolidating categorical programs into block grants to the states is not a new idea. Since the early 1980s, a number of programs -- including social services, job training, community development, mental health, preventive health, and maternal and child health services -- have been merged into block grants.

SEIU explored the funding changes of a number of block grants and their related categorical programs -- excluding all entitlement programs but food stamps -- over the most recent five- and ten-year budget cycles. The findings are presented in the attached report, *Block Grants: Backdoor Budget Cuts*. The results of this analysis clearly demonstrate that funding increases for block grants lag far behind those for categorical programs that perform similar functions.

A key finding of the report is that between 1985 and 1994, block grant funding lagged 11 percent behind the related categorical programs. And between 1990 and 1994, an even greater gap emerged -- funding for the block grants lagged 25 percent behind the related categorical programs.

Second, the report posed the question of how much federal funding states would have received in 1994 if the categorical programs had been folded into mega-block grants ten years earlier. Because the funding losses under block grants are permanent and therefore cumulate over time, federal aid to the states would have been nearly \$20 billion less in 1994 alone if these categorical programs had been melded into the existing block grants in 1985. On a percentage basis, most states would have received between 20 and 50 percent less in federal funding for these programs if they had been funded at the block grant rate.

The analysis also attempted to assess the likely impact of the PRA's initiative to consolidate nutrition programs into a single block grant by comparing funding levels for the Maternal and Child Health Block Grant with food stamps, the commodity supplemental food program, the school breakfast and school lunch programs, WIC, and other nutrition programs. Between 1985 and 1994, funding for these categorical programs increased 45 percent in inflation-adjusted terms, compared to a mere three percent increase for the Maternal and Child Health Block Grant. Strong constituent support from low-income groups, the agricultural lobby, and child advocates helped buoy funding levels for these individual nutrition programs. But the block grant failed to garner the needed constituent backing and was left to flounder.



Although this analysis excluded all entitlement programs but food stamps, it is evident that states could stand to lose a great deal more federal funds if entitlement programs were converted into block grants. If programs such as AFDC and food stamps were no longer entitlements, states would probably have to cap enrollment during recessionary periods due to a lack of funds — or rely on state resources alone to respond to the added demand for services. In either case, many needy people would likely be denied assistance and the drop in purchasing power would reinforce the recessionary effect. There is no denying that state and local budgets could be in grave jeopardy if massive block grant proposals — particularly those involving entitlement programs — are enacted.

#### **Added Federal Prescriptions**

While the track record of block grants shows that states will receive less federal funding — theoretically in exchange for added state flexibility — the PRA would actually require states to adhere to significant new federal mandates. Among the new federal prescriptions are compliance with strict rules regarding work program participation, food coupon fraud detection and prevention, and illegal alien identification.

Under the PRA's welfare work requirement, for example, states will receive reduced federal funding if they fail to meet prescribed participation rates. The PRA's work participation rates are set unrealistically high, rising steadily to 50 percent of the entire caseload by the year 2003. Consequently, in a few years states will have to find full-time jobs for at least 1.5 million welfare recipients — or wind up with a 25 percent cut in federal funding.

Just because the federal government cuts off assistance to impoverished individuals, it doesn't mean that their need suddenly disappears. Quite the contrary. The only difference is that now states and localities will be forced to shoulder the entire burden for their care. If needy families no longer have access to AFDC, they may turn to general assistance, which is 100 percent state or locally financed. Others who are cut off from the welfare rolls may seek out emergency housing or homeless assistance — again at state or local expense. The end result will merely be cost-shifting from one level of government to another.

The issue of cost-shifting to states and localities will be most pronounced under the PRA's proposal to deny benefits to noncitizens — both those in this country legally as well as illegal immigrants. Cutting off federal assistance to an entire class of individuals, regardless of their present need or their prior contributions, will put a lot of pressure on states and localities to attend to these individuals when they require assistance.

SEIU has been a long-time advocate of immigrants rights since it was founded by immigrant flat janitors in Chicago shortly after the turn of the century. We are proud of our heritage and have taken the initiative to organize and represent foreign-born workers. As an ethnically diverse union, SEIU is well aware of the contribution that immigrants have, and will continue to make to this country. Consequently, our members are very concerned about the divisive impact that the PRA will generate in their workplaces, their communities, and among their families.

#### **PRA Penalizes Low-Wage Workers**

The PRA's call for rigid time limits on benefits, more restrictive eligibility requirements, and mandatory work in exchange for welfare will actually compound the problems of poverty and dependency rather than put an end to them. Aside from the obvious outcome of forcing millions of welfare recipients and their children to fend for themselves on the streets, such policies will have reverberating effects on the low-wage labor market as well.

By requiring welfare recipients to work a minimum of 35 hours per week in order to "work off" their AFDC grants — regardless of the cash value of their benefits — the PRA eliminates basic labor protections that currently exist in the Family Support Act (FSA). Under the FSA, participants in the welfare-to-work programs must be compensated at no less than the minimum wage. And after nine months in the program, these participants must be paid prevailing wages for their efforts. The PRA also does away with key anti-displacement provisions in the FSA, which would enable employers to substitute low-wage workers with recipients from the welfare rolls.

Enforcement of basic labor standards, including the right to work at the minimum wage, equal pay for equal work, and non-displacement protections, are essential not only for welfare recipients, but for those workers currently employed in low-wage jobs. In order to comply with the PRA's work requirements, states will channel welfare recipients into unskilled jobs in either the public or private sectors — where they will receive the equivalent of \$2.42 per hour, on average, for their labor.

What employer will choose to hire a non-welfare recipient at \$5.00 per hour when he can employ a welfare client free of charge? Low-skilled workers in the United States are already faced with wage-cutting competition from third world countries. They don't need the added pressure of battling the welfare population to hold onto their jobs.

Although the drafters of this proposal may believe they are entitled to violate the minimum wage laws because the CWEP and work supplementation programs are not characterized as regular jobs under the Fair Labor Standards Act, work is still work -- regardless of semantics. But under the PRA, an employer can lawfully exact 35 hours of work per week in exchange for as little as \$120 a month in cash benefits. This makes a mockery of the PRA's purported objective of rewarding work and extending a helping hand to those trying to leave the welfare system.

The whole purpose of creating a federal wage floor back in 1938 was to prevent these depression-inducing circumstances from ever occurring again. Congress should not use welfare reform as an excuse to gut the nation's minimum wage laws.

Under the work supplementation program, a recipient's welfare grant is diverted to an employer as an inducement for hiring that recipient. Under the Family Support Act, only the AFDC cash grant is diverted; the recipient may continue to receive food stamp benefits and the employer must pay the difference between the AFDC grant amount and the minimum or prevailing wage. Under the PRA, at state option, both the AFDC payment and the value of the food stamp allotment would be diverted to the employer. In most cases, the employer would not have to contribute anything towards the participant's wage. Consequently, low-wage employers would have a far greater incentive to hire welfare recipients -- who essentially would be available free of charge -- than other workers for whom they would have to pay a regular salary. This kind of policy amounts to little more than corporate welfare.

The federal government already subsidizes employers of low-wage workers by providing these workers with an array of benefits to supplement their meager earnings: housing assistance, food stamps, AFDC, SSI, Medicaid, and the Earned Income Tax Credit. If these employers paid livable wages, then the government would not be forced to step in to fill in the gaps.

The nursing home industry is currently one of the greatest beneficiaries of this form of corporate welfare, and will no doubt be the first in line to reap the new benefits provided under the PRA. Nursing home operators already get reimbursed with federal and state tax dollars for most of their services; the complete wage subsidy under the PRA's work supplementation program could result in a 100 percent tax giveaway to these corporations. Service contractors, particularly those hiring janitors to clean office buildings, could also profit enormously from this kind of wage subsidy arrangement.

All across the country, SEIU locals have already seen instances where displacement is taking place. In Pennsylvania, for example, a contractor bidding for a government service contract at Haverford Hospital was given a tax credit for hiring welfare recipients -- and so was able to underbid his competitor. Thirty-five workers who currently worked under the contract lost their jobs -- and may have ended up on welfare themselves.

A similar situation occurred in California. The laundry department at San Francisco General hospital began filling its vacant positions and those positions vacated through attrition with General Assistance welfare participants. These participants became a cheap supply of labor for the hospital, earning wages far below the regular pay scale. To put a stop to this practice, SEIU negotiated contract language stating that it was not the city's intention to displace existing workers and, if a pattern of displacement occurred, the union could seek a remedy by protesting directly to the Mayor. As a result of this agreement, the city stopped filling these positions with welfare participants.

A slightly different, although still related situation arose in Baton Rouge. The Louisiana Departments of Health and Hospitals and Culture, Recreation and Tourism awarded janitorial contracts to employers hiring prison labor. Again, low-wage workers lost their jobs because the contractor could not compete against the wage-cutting competition.

In order to safeguard the rights of both regularly employed workers and welfare recipients, protections for incumbent workers need to be built in to the welfare program so that these kinds of worker displacement instances will not occur.

In its present form, however, the PRA opens the door for large-scale displacement. In order to make way for the flood of over one and a half million welfare recipients into community service jobs, the PRA eliminates important anti-displacement provisions that currently exist under the Family Support Act.

For example, according to Section 484 (c) of the FSA: "No participant may be assigned under Sec. 482 (e) [work supplementation] or (f) [CWEP] to fill any established unfilled position vacancy." This requirement is eliminated under the PRA, meaning that a recipient can be placed in an established, unfilled vacancy and be paid the CWEP rate -- which could be as little as \$1 per hour -- even though that vacancy position may have been paying twice the minimum wage previously.

Low-wage service jobs are notorious for their high turnover rates, so it wouldn't be long before employers in such industries as home care, nursing homes, and building services could substitute a majority of welfare recipients for workers presently on their payrolls.

Again, what employer is going to hire a non-welfare recipient to fill a job opening at an established wage rate when he can hire someone full-time from the welfare rolls for free?

The first step in avoiding this kind of wage undercutting situation is to maintain all of the displacement language that currently exists under the Family Support Act. But even the best displacement language is not sufficient on its own to prevent dislocation. The total workforce of regular state, local and federal government employees is only about 18 million workers. It will be impossible for a workforce of this size to absorb an additional one and a half million workers without causing considerable displacement. And the PRA contains no provisions which would mitigate the potential for displacement, such as efforts to promote the creation of new private sector jobs or enhance the qualifications of welfare recipients.

In any work-for-welfare program, the emphasis should be on creating community service jobs that will meet unmet needs in the community. In many cases, however, the "unmet needs" of today had been performed by regular, full-time workers in the past. Union concurrence for these jobs is essential to ensure that these newly created positions are not just previously eliminated job titles. We should also make every effort to integrate welfare clients into existing personnel structures in terms of wages, rights, and benefits.

Our bottom line concern is that any efforts to create jobs for welfare recipients should not have a negative impact on the local job market. It is essential that we not violate the principle of equal pay for work of equal value, especially among the lower-paid segment of the workforce. Otherwise, this will depress wages in the community -- particularly for our most vulnerable workers at the low end of the wage scale.

#### **SEIU's Proposal for Welfare Reform**

SEIU recognizes the need to bring genuine reform to our current welfare system, but reform initiatives such as the PRA and the block grant approach seem intent on dismantling the current welfare system without coming up with a workable alternative to put in its place. The problems of poverty, unemployment, malnutrition, crime, and urban decay surely won't disappear simply because families are cut off from public assistance.

#### **■ Address Caseworker Issues**

Welfare caseworkers can play an invaluable role in achieving meaningful reform of our welfare system. As a union representing tens of thousands of caseworkers throughout the country, SEIU knows first hand the kinds of worthwhile contributions these workers can bring to the process. But in order to make full use of their knowledge and expertise, we need to empower these workers to have greater authority over their jobs.

One of the principal problem areas that caseworkers identify again and again is the issue of caseloads. Welfare caseworkers in every state complain that they are overburdened by unreasonably high caseloads. And the current emphasis on administrative cost savings is likely to bring added pressure for even higher caseloads. Particularly if states opt to go the block grant route, the temptation will be to hold down administrative costs by requiring caseworkers to serve an even greater number of welfare clients.

Clearly, there needs to be a limit placed on the number of welfare clients that each individual caseworker can serve. Such a limit would enable caseworkers to devote the attention needed to designing effective strategies for achieving economic independence that best suits each individual welfare family.

Welfare caseworkers also point to the reams of paperwork and bureaucratic red tape that they must wade through in order to comply with the requirements of their job. Although extremely time consuming, these administrative responsibilities have little to do with helping clients move from welfare to work. Caseworkers need to be freed from this constant paper-pushing so that they can concentrate on providing the professional counseling services they have been trained to perform.

SEIU also strongly believes that welfare casework should continue to be performed by public employees. Contracting out casework to private sector companies is a delegation of sensitive functions that endangers the individual rights of AFDC recipients. The sensitive duties conducted by case workers include determination of eligibility, assessment of clients, referral to various human service programs, and coordination of the client's participation in the program. Caseworkers care about the work they do and have the best interest of the welfare clients at heart. The public interest should not be administered by a private company with a profit motive.

#### ■ Promote Flexibility and Performance Standards

Although SEIU is opposed to the idea of creating mega-block grants out of categorical welfare programs, we do acknowledge that there are some cases where it makes sense to consolidate and streamline programs. In cases where two or more programs serve the same target population and provide similar services, consolidation would allow policymakers to cut through some red tape, and would allow the workers who provide the services to focus on serving the needs of their clients rather than filling out mounds of forms.

However, consolidation is not just a numbers game. Fewer is not always better. One of the ways to ensure that consolidation actually brings improvement is to develop a set of performance standards to assess whether program objectives are being met. To be most effective, these standards should focus on outcomes — such as how many families achieve economic independence — rather than merely process indicators.

#### ■ Stop Threats to Low-Wage Workers

The Personal Responsibility Act takes a misguided approach in its effort to usher welfare recipients into the workforce. A community service job paying \$2 per hour is not likely to instill a strong work ethic, or reinforce the value of work over welfare.

Requiring AFDC recipients to work at subminimum wages is a dangerous economic experiment of unprecedented scale. According to the drafters' own estimates, over one and a half million AFDC recipients working at subminimum wages are expected to be dumped into the job market. This disappearance of the wage floor will convert lower-skilled public and private sector jobs into even lower-paid work, and exert a downward pull on the entire low-wage labor market.

Creating such an underclass of workers would erode wages and employment standards for all Americans, as well as have a negative impact on the economy as a whole. This is the opposite of the high-wage and high-skills workforce strategy that the U.S. should be trying to promote.

Rather than relying on a large-scale workfare-type program, the emphasis should be on the creation of prevailing wage jobs in the private sector. There is no logical reason why welfare recipients should be denied the basic labor protections that are afforded other workers in this nation. This nation was founded on the principle that everyone, poor as well as rich, deserves the equal protection under the law. Denying some of the poor the right to be paid the minimum wage is an affront to that tradition and a violation of basic principles of justice. SEIU professes that under no circumstances should a state be allowed to pay a welfare client the equivalent of a subminimum wage in exchange for benefits.

In order to send the right message — that work is a better alternative to welfare — welfare recipients should be paid the higher of the state or federal minimum wage, or the rate paid to other employees of that employer doing the same work and with the same tenure. Employers should not have the right to treat welfare recipients as second-class workers simply because of their economic circumstances.

In addition to being paid comparable wages, welfare recipients should also be provided the same benefits, rights, and working conditions as employees who haven't been hired from the welfare rolls. This will help prevent a situation where welfare clients are used as low-cost alternatives to regularly employed workers. Even well-intentioned welfare-to-work programs can have the effect of replacing one group of low-wage workers with another — thus perpetuating the cycle of work and welfare dependency.

#### ■ Expand Job Opportunities

SEIU believes that the key to ending welfare dependency is the expansion of economic opportunity for all Americans. Meaningful welfare reform will only be achieved as part of a comprehensive effort to improve education and training opportunities, guarantee access to health care, expand child care, and create jobs that pay a living wage.

As you've heard from others testifying before this subcommittee, a job that pays decent wages and benefits is the surest route out of welfare dependency. Accordingly, we need to approach welfare reform in the context of a full employment policy designed to create ample job opportunities for workers at all education and skill levels. People need jobs in order to attain, and maintain, self-sufficiency.

If we place greater emphasis on private sector job creation, as well as on pursuing public policies that promote full employment, it will be unnecessary to funnel welfare clients into a large-scale community service program — particularly one that pays subminimum wages.

We cannot expect people to learn the value of work if we seriously undervalue the work that we ask them to do. Instead of focusing on punitive measures aimed at making welfare less attractive, or less attainable, we should concentrate on developing ways to make work more attractive. As a union representing hard working men and women, SEIU is the first to recognize that there is dignity in work, but workers themselves deserve the dignity of a living wage.

■ **Raise the Minimum Wage**

The principal problem facing those who try to leave welfare is the shortage of jobs with wages and benefits that will support a family. One-quarter of poor adults are employed at full-time jobs that do not pay enough to escape poverty. As President Clinton noted in his State of the Union address, by 1996 the minimum wage will soon be at its lowest level in 40 years in terms of purchasing power.

Clearly, the minimum wage needs to be increased to a more livable level, and then indexed to keep pace with inflation. Many of the nation's poor and homeless are working full time – but they still don't earn enough to bring their families out of poverty. A full-time job at the minimum wage pays just \$8,840 a year. In high cost of living states such as California, families may spend 50 to 80 percent of their earnings on housing costs alone. And child care costs can amount to \$4,000 or \$5,000 per year, per child. When a person's wages can't cover his or her basic needs, something has to be changed.

While some politicians have argued that we need to increase the Earned Income Tax Credit (EITC) rather than raise the minimum wage, the truth is that both are needed. Taxpayers cannot be asked to shoulder the full cost of making work pay. Employers must pay their fair share as well.

■ **Bolster Training and Support Services**

A successful welfare reform plan must also address the non-wage factors that act as barriers to employment, including the lack of access to quality, affordable health care and child care services, as well as the prevalence of education and skill training deficiencies among welfare recipients.

Despite the failure of Congress to pass health care reform legislation, the fact remains that we cannot have true welfare reform unless we can break down one of the strongest barriers to employment – loss of health insurance coverage under the Medicaid program as workers transition into low-paying jobs that lack health insurance. It's no wonder that people cycle on and off the welfare rolls. A woman who leaves welfare for a low-wage, no benefit job has no alternative but to return to welfare if she or someone in her family requires costly medical care. This cycle of dependency cannot be broken until health care coverage becomes a right for all Americans.

The poor also need new avenues of opportunity that will lead them beyond low-paying, dead-end jobs. Accordingly, they should have access to ongoing job training and skills upgrading efforts so that they can qualify for higher-paying and more challenging jobs in the future.

It is SEIU's conviction that job creation, universal health care, quality child care, education and training opportunities, and jobs that pay living wages will serve as the cornerstones for welfare reform. Only after these elements are in place can we effectively proceed with the task of transforming the welfare system into one of opportunity instead of dependency.

■ **Pursue Alternative Training Strategies**

We encourage the committee to look beyond the kinds of traditional welfare-to-work programs that are advanced in the PRA. Instead, we urge you to explore more innovative alternatives, including various wage subsidy or apprenticeship-type models to encourage private sector employers to hire welfare recipients.

One method for encouraging the development of subsidized work programs is to create partnerships between organized labor and the community. The Laborers' International Union of North America (LIUNA) has used such an approach in its highly successful "Step-Up" pilot program in Chicago. Under the program, LIUNA educates, trains, and employs low-income residents to rehabilitate the public housing projects in which they live.

LIUNA matches these newly hired workers with mentors who share their skills, knowledge and experience on the job. The mentors help new employees adjust to their new positions by providing them with needed guidance, support, and information. These kinds of labor-community partnerships foster a win-win situation — instead of pitting union workers against welfare recipients.

#### **Conclusion**

As the committee proceeds with the task of reforming the welfare system, we urge you to carefully consider the above recommendations. SEIU is ready to work with the committee in expanding upon the ideas presented above as it continues the work of developing a workable welfare reform plan.

Thank you.

Ms. DUNN. Thank you very much, Mr. Baker.  
Leslie Wolfe, please.

**STATEMENT OF LESLIE R. WOLFE, PRESIDENT, CENTER FOR  
WOMEN POLICY STUDIES**

Ms. WOLFE. Thank you.

I am president of the Center for Women Policy Studies, and I am also a member of the board of trustees of Montgomery College, which is a three-campus community college in Montgomery County, Maryland.

My testimony has been submitted for the record, and I would like to summarize it very briefly.

At the Center for Women Policy Studies, we are concerned that H.R. 4 would make it impossible for AFDC recipients to take personal responsibility for their economic future by doing what our Federal Government and parents helped many of us and our children to do—go to college. Our research and that of many colleagues around the country shows that postsecondary education is a proven, effective and permanent route out of poverty for very many low-income women.

In welfare reform, as in clothes, it is folly to believe that one size fits all. Welfare reformers must recognize the great diversity among AFDC recipients. We must offer a range of options to prepare them for independence and long-term economic self-sufficiency. Education and training options are absolutely crucial and they are in fact cost effective.

Contrary to stereotypes, not all women on AFDC are school dropouts. Individual States report that some 30 to 50 percent of their AFDC recipients have a high school degree or a GED. Though they are eligible for postsecondary education, they simply do not have the resources or opportunity to enroll and remain in college.

Completing a 2-year degree at a community college is an especially powerful antidote to poverty for women on public assistance. An associate's degree raises women's income by 65 percent over their earnings with a high school diploma. A postsecondary vocational degree raises income by 41 percent.

Empowering women through education has other far-reaching benefits and not all of them are strictly financial. Studies in several States have found that a postsecondary education not only increases women's incomes, it improves their self-esteem, increases their children's educational ambitions, and has a dramatic impact on their quality of life, enriching their personal lives and improving their relationships with their children.

Whether policymakers seek to reform welfare in order to cut government spending or to improve the quality of life and strengthen the families of low-income women, providing AFDC recipients with access to higher education does both. As it did for many of our colleagues, including those who benefited from the GI bill, a postsecondary education can help break a devastating cycle of poverty that traps many women. They are forced to go on and off welfare, because the jobs they qualify for do not pay enough to let them survive.

Indeed, contrary to other stereotypes, women receiving AFDC are not lazy slackers. Forty percent work full time or intermittently,

but they remain desperately poor. As hard as they try, without the proper training, which we believe a postsecondary education provides, it is often impossible for them to improve their family's economic status. With a postsecondary degree, women spend less time on AFDC and are far less likely to need public assistance again, according to several research studies.

For example, in New York State, of 158 college students who received AFDC, 100 percent of those with a 4-year degree and 81 percent of those with an associate's degree stopped receiving welfare. By investing in women who are ready for postsecondary education in this way, government can gradually shrink the number of welfare recipients and devote more resources to addressing the crushing burdens faced by other women receiving AFDC who may be living lives of chaos and dysfunction caused by sexual and physical abuse, homelessness, drug use, inferior educational opportunities, psychological problems and lack of hope for their future.

Education and job training must prepare women for higher paying employment, given that at least half of all new jobs by the year 2000 will require a college degree. We submit that block granting AFDC is not the answer. There is a continued need for active Federal leadership, because States are often forced to focus on short-term solutions.

We urge you to consider welfare reform proposals that enhance women's opportunities for economic self-sufficiency through postsecondary education.

Thank you.

[The prepared statement follows:]



**TESTIMONY OF LESLIE R. WOLFE  
CENTER FOR WOMEN POLICY STUDIES**

Mr. Chairman, and Members of the Committee on Human Resources, my name is Leslie R. Wolfe, and I am the President of the Center for Women Policy Studies. The Center is an independent feminist policy research and advocacy institution that was founded in 1972. Throughout our history, the Center has concentrated on complex, cutting edge women's issues, with a special emphasis on the diverse needs of low income women and women of color. I am also the Second Vice Chair of the Board of Trustees of Montgomery College, a three-campus community college in Montgomery County, Maryland, so my testimony is informed not only by the Center's research but also by my experience with the administration, faculty, and staff of the college.

Postsecondary Education: A Recognized Path to Long-Term Economic Self-Sufficiency

My testimony today addresses the proposed changes to the AFDC program (as contained in H.R. 4) which would limit recipients' options to pursue postsecondary education and realize long-term economic self-sufficiency. In essence, the proposed changes would make it impossible for women to take "personal responsibility" for their economic futures by doing what our federal government and parents helped many of us and our children to do -- go to college. The proposed changes would make it impossible for Amy Hendricks, who appeared before this Committee on January 20, 1995, to take classes at Prince George's Community College and the University of Maryland, and move toward her dream of building a life for herself and her son free of public assistance. Indeed, it would be a cruel irony if this Committee's package of welfare reforms were to make Ms. Hendricks' success story impossible for other women.

Our research and that of many colleagues around the country<sup>1</sup> reinforce Ms. Hendricks' personal testimony -- that postsecondary education is the best strategy for long-term self-sufficiency for a large group of low income women, including women now receiving AFDC. We believe, as you do Mr. Chairman, that welfare reform should "promote individual responsibility." We agree that welfare reform should focus on creating strategies to move recipients from welfare to work and provide a path to economic self-sufficiency and productivity. We ask you to remember that postsecondary education is a proven effective and permanent route out of poverty for low income women. Ensuring that women in every state continue to have an opportunity to earn a postsecondary education is a winning strategy for everyone -- for women, for their children, and for state and federal budgets.

Women Receiving AFDC are Ready, Willing and Able to Undertake Postsecondary Education

In welfare reform as in clothes -- it is folly to believe that one size fits all. Welfare reformers must recognize the great diversity among AFDC recipients. We must offer a range of options

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<sup>1</sup> In 1991, the Center created the National Brain Trust on Economic Opportunity for Low Income Women to assess the efficacy of higher education as a strategy for moving low income women into economic self-sufficiency. With the Office of Women in Higher Education of the American Council on Education, the Center convened a seminar on increasing access to higher education for low income women; the Center also published a research report, More Than Survival: Access to Higher Education for Low Income Women, and Women, Welfare, and Higher Education: A Selected Annotated Bibliography, both prepared by Erika Kates of Smith College. In 1987, the Center convened a policy seminar, "Occupational Segregation and its Roots in Education," to consider the connections between sex and race bias in early education and women's continuing segregation into low wage, low status jobs. The resulting book, Women, Work and School: Occupational Segregation and the Role of Education, was published by Westview Press.

to prepare them for independence and long-term economic self-sufficiency; education and training options are especially crucial and cost effective. Contrary to stereotypes, not all women on AFDC are school "drop-outs." Individual states report that from 30 to 50 percent of their AFDC recipients have a high school degree or GED. In short, between 1.44 million and 2.4 million are eligible for college at any given time (Burtless, 1994; Kates, 1991; Gittell, Schehl, and Fareri, 1990; Shea, 1992; Solomon, 1990). They simply do not have the resources or opportunity to enroll and remain in college.

A recent study estimated that, all other factors being equal, 75 percent of women receiving AFDC who had completed at least one year of college would leave AFDC voluntarily after two years. By contrast, only 47 percent of those with a high school degree would leave AFDC after two years (Fitzgerald, as cited in Sherman, 1990). Today, leaving AFDC for a job may actually lower a family's standard of living; women therefore are reluctant to make a choice that would hurt their children. But postsecondary education can prepare women for better jobs that can lift them permanently out of poverty.

Studies of women on public assistance who have gone to college reveal the degree of motivation, dedication and relentless determination needed to stay in school when many policy conflicts work against them. Many more women who are forced to rely on public assistance might choose to pursue postsecondary education if they were not financially punished by these policy conflicts. For example, a 1992 survey of JOBS program policies in 32 states found that AFDC recipients who received student financial aid or other educational funds lose public assistance benefits including reduced AFDC benefits and food stamps (Kates, 1993). Thus, for a woman living below the poverty level, struggling to provide for her children, the decision to apply for student financial aid to cover the most basic costs -- tuition and books -- brings additional hardship and problems for her family's survival.

#### A College Degree is the Key to Moving Women Off AFDC and Out of Poverty

If our goal is to help low income women "get off and stay off welfare" by moving from welfare to work that will enable them to support themselves, their families, and our government (as taxpayers), then our strategy must include educational preparation that allows low income women the opportunity to pursue careers beyond the low wage jobs usually made available to them. And this means a college education.

Unfortunately, sex and race discrimination in the job market make it essential that women, and in particular women of color, have access to postsecondary education. Overall, women with a high school degree or less earn little more than HALF the equivalent wage of a man with the same education (\$579 compared to \$1,116 a month) (Census Bureau, as cited in Sherman, 1990). *A woman still needs a college degree to earn wages approaching those of a male high school graduate* (see Greenberg, 1993). Despite the persistence of this wage gap, women's income does improve with postsecondary education (Sherman, 1990).

The average woman college graduate earns \$22,000 a year and is more likely to be in a job which offers fringe benefits, while women working in minimum wage jobs earn far less. Workers with college degrees also are more likely to have transferable skills that will help them survive in today's job market, where they are likely to change jobs several times in the course of a lifetime.

Completing a two-year degree at a community college is an especially powerful antidote to poverty for women on public assistance. An Associates degree raises women's income by 65

percent over their earnings with a high school diploma; a postsecondary vocational degree raises income by 41 percent (Census Bureau Survey of Income and Program Participation, as cited in Sherman, 1990).

The economic benefits of postsecondary education for both women and the economy would be immediate and positive. Even one year of postsecondary education makes a difference:

- Fifty-one percent of African American women 25 and older who head households and have exactly 12 years of schooling live below the poverty line. But with only one year of postsecondary education, the percentage of those families living in poverty is cut by more than one half - to 21 percent.

- Forty-one percent of families headed by Latinas with exactly 12 years of school live in poverty -- that number drops to 18.5 percent with at least one year of postsecondary schooling.

- For white women, the figure drops from 22 percent to 13 percent (Census Bureau Current Population Survey, as cited in Sherman, 1990).

Statistics reveal that only 2.9 percent of the nation's population with at least one year of college participated in a major public assistance program during an average month in 1987, but 7.3 of all high school graduates did (Shea, 1992).<sup>2</sup> Looked at another way, these compelling statistics reveal that a postsecondary education is more likely to move more women permanently out of poverty and off AFDC than any other welfare reform proposal contained in H.R. 4

If we are sincere about reducing government spending on AFDC, then we must be willing to invest up-front in cost-effective, successful programs that support women who are ready, willing and able to improve their future earning potential through a postsecondary education. We must help them take "personal responsibility" by extending help, not creating barriers, to a postsecondary education.

#### The Benefits Transcend the Financial

Empowering women through education has other far reaching benefits; not all of them are strictly financial. Studies in several states have found that a postsecondary education not only increases women's income, it improves their self-esteem, increases their children's educational ambitions, and has a dramatic impact on their quality of life, enriching their personal lives and improving their relationships with their children (Gittell, Gross and Holdaway, 1993; Kates, 1991). And I can assure you that the student-centered mission of community colleges makes them the ideal environment for many women receiving welfare to begin their postsecondary educational journey.

One study of college graduates who had been AFDC recipients during the time they were enrolled in school reported remarkable results. Nearly all (95 percent) of the women respondents said college made them feel proud of themselves; 90 percent said that the greatest benefit of their college experience was that it "made

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<sup>2</sup> As of 1991, among AFDC recipients whose educational attainment was known, 11.2 percent had finished 8th grade or less; 35.1 percent had some high school; and 40.7 percent were high school graduates. However, only 12.2 percent had some college; and .8 percent were college graduates (Committee on Ways and Means, as cited in Burtless, 1994).

me more confident" or "made me see the value of college." Eighty-five percent said it gave them new insights into their needs; 81 percent said it made their children proud of them; and fully 75 percent said their college experience helped them work better with their children (Gittell, Schehl, and Fareri, 1990). The report concluded:

Without exception, each woman interviewed influenced at least one other person's education, ambitions and achievements, either through academic assistance, encouragement or setting an example....The women with younger children are determined that their children will go to college.

One study participant reported: "College opened up a lot of doors, a new world. It made me more sure of myself. College has made a difference with the kids. I help them with their work. They know that I went. They are proud of me" (Gittell, Schehl, and Fareri, 1990).

Other studies (Kates, 1993; Kates, 1991) of AFDC recipients enrolled in college, including a review of programs in 28 states, revealed similar benefits; women registered the positive impact of postsecondary education on their family life:

...My son said to me out of the clear blue the other day, "I want to be just like you, Mom. I want to be a college student" (Kates, 1991).

Clearly, postsecondary education does make a difference -- an enormous difference -- for many low income women. But is it a realistic and affordable option for welfare reformers to consider? The answer is yes.

#### Real Reform: Reducing the Number of Women Who Need to Return to the AFDC Program

Whether policy makers seek to reform welfare in order to cut government spending or to improve the quality of life and strengthen the families of low income women -- providing AFDC recipients with access to higher education does both (Gittell, Gross and Holdaway, 1993; Kates, 1993, 1991; Gittell, Schehl, Fareri, 1990). As it did for many of our colleagues, including those who benefitted from the G.I. bill, a postsecondary education can help break a devastating cycle of poverty that traps many women; they are forced to go on and off welfare because the jobs they qualify for do not pay enough to let them survive. Indeed, contrary to stereotypes, women receiving AFDC are not slackers. Forty percent work full time or intermittently but remain desperately poor (Greenberg, 1993). As hard as they try, without the proper training, which we believe a postsecondary education provides, it often is impossible to improve their families' economic status.

Low paying jobs are an ever-shrinking part of the labor pool and the competition for them is increasing, forcing wages down. Among young women (ages 18 to 22) who received AFDC benefits in 1979-1981, 25 percent of those who managed to find jobs by 1990 earned \$4.69 an hour or less and 10 percent earned \$3.97 or less (Burtless, 1994). They would have to work 60 to 70 hours a week, 50 weeks a year, to squeak above the poverty line.

When a woman does get a low-paying job, she still cannot expect her situation to improve over time. Women without a high school degree will see their hourly wages climb only about nine cents from the age of 21 to 29. But women in this age group who have one to three years of college can expect their incomes to increase by 46 cents an hour and to make even greater strides in their 30s (National Longitudinal Survey of Youth and Current Population Survey, as cited in Burtless, 1994).

The JOBS program, the building block of the most recent attempt at welfare reform, was supposed to provide economic independence to AFDC recipients; but JOBS did not reduce the number of those needing cash assistance. From 1988 to 1992 the number of families collecting AFDC increased from 3.7 million to 4.8 million (Burtless, 1994).

Certainly the JOBS program has been underfunded and has only been implemented for a very short time; therefore, it is impossible to evaluate its true potential at this time. However, we suggest that even good job training programs have not always helped women find solid work. Massachusetts' much-touted E.T. Program is a perfect example; despite its success, the income of graduates went from an average of \$6,208 with public assistance to \$6,532 from jobs obtained after completing job-training programs.

This dismal result happens because the programs ignore the impact of sex and race discrimination and the wage gap in the work force and do not aggressively promote training much beyond traditional low-paying "women's work." Instead of providing postsecondary education that is essential to compete in the job market, they opt to find women short-term, minimum wage jobs that provide no benefits, no job security and no potential for growth.

With a postsecondary degree, women spend less time on AFDC and are far less likely to need public assistance again. Several research studies have shown that women who receive AFDC and manage to complete their postsecondary education stand a real chance of earning their own way without needing public assistance again. For example, in New York State, of 158 college students who received AFDC, 100 percent of those with a 4-year degree and almost 81 percent of those with an Associates degree stopped receiving welfare and began earning incomes well above the poverty line: \$23,017 and \$19,738 respectively (Gittell, Schehl, and Fareri, 1990). Studies of AFDC recipients who attended colleges in Massachusetts concluded with similar findings (Kates, 1991).

By investing in women who are ready for postsecondary education, government can gradually shrink the number of its welfare recipients and devote more resources to addressing the crushing burdens faced by other women receiving AFDC -- who may be living lives of chaos and dysfunction caused by sexual and physical abuse, homelessness, drug use, inferior educational opportunities, psychological problems, and lack of hope for their futures.

To break out of welfare poverty, low income women must have education and job training that prepares them for higher paying employment, and that -- in the 1990s -- requires a solid postsecondary education. In fact, at least half of all new jobs by the year 2000 will require a college degree (Kates, 1991). However, to date, most job training and educational assistance programs have failed to make postsecondary education a focus or even a serious option.

#### Eliminating Barriers to Postsecondary Education

With the passage of the Family Support Act of 1988 and the implementation of the JOBS (Job Opportunities and Basic Skills Training) Program, opportunities in higher education for low income women expanded somewhat, but serious limitations were created by many states. We submit that there will be a continued need for active federal leadership to encourage states to pursue this very logical path to self-sufficiency. As the Committee reviews the proposed changes to AFDC, we ask that you avoid a myopic focus on short term fixes that might temporarily reduce AFDC roles. Instead, we ask you to consider how to help women really change their economic prospects through postsecondary education.

#### Block Grants: A Loss of Needed Federal Leadership

The Center asks the Committee to carefully consider what will happen to the support systems needed to help women receiving AFDC benefits pursue postsecondary education if the AFDC program becomes a block grant to states. States often are forced to focus on short-term solutions; but the federal government can provide leadership and incentives to keep postsecondary education an option for women on AFDC. Although all 50 states permit postsecondary education for AFDC recipients, a recent study of 32 states (Kates, 1993) found considerable differences in how the states provide access to postsecondary education. These differences include length of time allowed to complete college, interpretation of the 20 hour rule, conflicts between public assistance and college financial aid, and coordination with other state agencies, including the Departments of Education and Labor. We urge you to ensure that women in all states have the opportunity to pursue postsecondary education, by setting federal standards and guidelines for the states to follow.

For example, states' interpretation of the 20 hour rule, which requires recipients to participate in a JOBS approved activity for 20 hours each week, is a major barrier preventing qualified AFDC recipients from enrolling in college. When strictly enforced, the 20 hour rule would require a student to be enrolled in 20 hours a week of classroom activities, which is substantially more than the 12 to 15 credits that most full time students take. While Dr. Kates 1993 survey of 32 states found that most were flexible in their interpretations, a full 41 percent were not flexible. The states that were flexible counted such activities as studying, writing papers, taking exams, attending labs, and meeting with professors as part of the 20 hours, reflecting an understanding of what the college experience is all about. But states with a strict interpretation required women to engage in additional JOBS approved activities such as work-study or community work experience.

#### Inflexible Work Requirements and Lifetime AFDC Time Limits

For women like Amy Hendricks who are ready, willing and able to pursue postsecondary education, the "Personal Responsibility Act," is a guarantee of failure because it would establish inflexible work requirements and lifetime AFDC time limits. First, the current 20 hour rule (already a barrier for women in many states) would become a 35 hour rule with no realistic provisions for a woman who wants to pursue postsecondary education to lift her family permanently out of poverty. A simplistic, inflexible work requirement of 35 hours will serve to reinforce the impact of sex discrimination and the wage gap in the work force by leaving poor women stuck once again in the few low-wage, insecure jobs that they can compete for successfully without a postsecondary education.

Second, a two-years-and-you're-out time limit makes it impossible for AFDC recipients to complete either a four-year college degree or a two-year technical or Associates degree. Under the current program, 66 percent of the states impose restrictions on AFDC recipients -- limiting their choice of college, course of study, and length of time to complete their studies (Kates, 1993). Imposing strict time limits of two years for an Associates Degree and four years for a Bachelors Degree is shortsighted and unfair, given that less than 16 percent of traditional students (18-22 year olds) complete these programs in two years or four years.

The Center for Women Policy Studies urges the Committee to reject principles that embrace strict time limits for moving AFDC recipients off welfare. If long-term employment and economic independence for AFDC recipients is the goal, then the cheap quick-fix attraction of a two or even a five year time limit is not the answer. Nothing will take the place of providing low income women with opportunities to obtain solid educational credentials.

In addition, under H.R. 4, states must meet steadily escalating work program participation requirements. To meet these

requirements, states will be forced to find women short-term, minimum wage jobs that provide no benefits (such as health insurance), no job security and no potential for growth. Low income women, like other displaced workers, need preparation for vocations and careers that are as lucrative as possible. Even with additional education, women cannot become economically strong unless they can avoid being trapped in the lowest paid of the low wage jobs in the service sector (such as child care, nursing home aides, and custodial jobs) which not only pay the least but also offer fewer, if any, benefits and career ladders.<sup>3</sup> Unfortunately, states often find these types of slots the quickest and easiest to create when they are faced with escalating work program participation requirements.

The federal government must provide guidelines for the states that ensure that flexibility is provided for the many AFDC recipients, like Amy Hendricks, who are trying to take "personal responsibility" for their futures by earning the postsecondary degrees they will need to compete in today's job markets. Our current welfare system places substantial barriers in their paths. We ask this Committee to eliminate those barriers and create a welfare reform package that respects and values the efforts that poor women are making -- against overwhelming odds -- to move from welfare to educational attainment and work.

#### Making Children and Families Ineligible for AFDC

We urge you to reject the punitive mandates in H.R. 4 that would require states to deny aid to children and families in a range of situations. The Center opposes any provisions that would deny benefits to: 1) children born into families receiving AFDC; 2) children whose paternity has not been officially established by the state; and 3) children of unmarried teenagers. Each of these child exclusion provisions will simply make it more difficult for women to lift their families out of poverty.

Extensive social science research has clearly established that a woman's decision to have a child is complex and influenced by many factors; the availability of AFDC, however, is rarely the controlling factor. These provisions are misguided attempts to change a trend in our society that is not confined to low income women. But each provision will have serious adverse consequences for women struggling to improve their lives. As you add layers of economic adversity and punishment, you will diminish a woman's ability to imagine a better future for herself and her children and to transform that vision into a real effort to achieve economic independence.

In conclusion, the Center for Women Policy Studies recommends that, at a minimum, all welfare reform proposals be carefully evaluated in terms of their ability to provide a long-term self-sufficient future for low income women and their families. A postsecondary education is a proven strategy that moves women off welfare permanently and breaks the cycle of poverty for women and their children. Therefore, the Center urges you to reject any welfare reform proposal that does not increase the opportunities for women to successfully pursue a postsecondary education.

Thank you.

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<sup>3</sup> The issues of minimum wage increases, pay equity, and strategies to upgrade low-wage work also must be addressed.

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Ms. DUNN. Thank you very much, Ms. Wolfe.  
Next is Ms. Archambault.

**STATEMENT OF CHARLEE ARCHAMBAULT, JOBS PROGRAM  
MANAGER, ROSEBUD SIOUX TRIBE, ROSEBUD, SOUTH  
DAKOTA, ON BEHALF OF THE INDIAN AND NATIVE  
AMERICAN EMPLOYMENT AND TRAINING COALITION**

Ms. ARCHAMBAULT. My name is Charlee Archambault. I am a member of the Rosebud Sioux Tribe. For the past 3 years, I have been the JOBS director there. I would like to thank the Committee for the opportunity to testify on behalf of my own tribe and the Indian and Native American Employment and Training Coalition, an information network linking Indian employment and training programs throughout the United States.

I know that Rosebud is not a place that many of you guys think about. It is in the south-central part of South Dakota.

I would like to mention a few of the highlights of our JOBS Program there. All of our JOBS Program participants show responsibility in their own families and in the JOBS component from which they receive services.

At the current time, we have participants in the following educational components: One, English as a second language. Our native language for many of our people is Lakota. We have an educational preparation program. We have vocational and other post-secondary programs through our tribe's community college. The JOBS Program does not place participants in on-the-job training slots unless there is a guarantee of permanent employment for the participants.

At the current time, we have 55 people who are participating in these two components. We have had permanent employment for 153 of our JOBS participants over the last 3 years. Please remember that we have made these 153 job placements of AFDC recipients in an area where the joblessness rate for Indian people is over 88 percent.

One of our major concerns with child care is that it goes through the State. Our Indian people that are on AFDC and that we are placing in employment positions, are not receiving child care through the State as they should.

We are not in support of block granting. With this in mind, we would like to continue to get our funding directly, and not have it go to us through the State because of some of these problems that we have had with child care. That is one of our recommendations. The program should be, like I said, directly funded through the Federal Government to the tribal governments and be controlled by tribal governments.

Also, one of our recommendations is support for economic development to help our tribes create new jobs, particularly for employable people now dependent on welfare.

I guess with this, I thank you from the goodness of my heart.  
[The prepared statement follows:]

WILLIE KINDEL  
President  
NORMAN WILSON  
Vice-President

*Rosebud Sioux Tribe*  
ROSEBUD INDIAN RESERVATION  
ROSEBUD, SOUTH DAKOTA 57070  
P.O. BOX 430  
Phone (605) 747-2381 -- Fax 605-747-2243

CYNTHIA L. GARY  
Treasurer  
GERRI GORDON  
Secretary  
TODD BEARSHIELD  
Sergeant-at-Arms

### Prepared Statement of

**Ms. Charlee Archambault, JOBS Manager, Rosebud Sioux Tribe**

My name is Charlee Archambault. I am a member of the Rosebud Sioux Tribe. For the last three years I have been the Director of the tribe's Job Opportunities and Basic Skills program.

I thank the Committee for the opportunity to testify on behalf of my own tribe and the Indian and Native American Employment and Training Coalition, an information network linking Indian employment and training programs throughout the United States.

When people in Washington, DC think about welfare, they probably don't think about Rosebud, South Dakota. Let me tell you a little about Rosebud and why we are as interested in welfare reform as anyone else in the country.

Rosebud is a community in Todd County in south central South Dakota. The area is very rural. We are a three hour drive from Rapid City in one direction and a five hour drive from Sioux Falls in the other direction. These are the only two metropolitan areas in the state.

Rosebud is also the administrative center for the Rosebud Sioux Indian reservation. Our land covers all of Todd County and parts of several nearby counties -- over 2,000 square miles in all.

There are almost 19,000 members of the Rosebud Sioux Tribe, most but not all of whom live on the reservation.

We are a people rich in tradition and proud of our heritage. At the same time, economic conditions have not been generous to us.

- \* According to the latest available data from the Bureau of Indian Affairs, 88% of our people that could work can't find jobs.
- \* According to the 1990 Census, 60% of the Indian people on our reservation live in poverty.
- \* According to the same source, 22% of our people are in overcrowded housing. One third of our housing units are not connected to a community water system.

With conditions such as these at Rosebud and similar -- in some cases even worse -- conditions on other Indian reservations in the state, AFDC is all too important a factor to our people.

The federal Department of Health and Human Services says that statewide, in both reservation and off-reservation areas, over 51% of the families and 55% of the children on AFDC in South Dakota are Indian families and Indian children.

On the Rosebud reservation, the AFDC caseload includes 565 adults and 1,157 children.

The Rosebud Sioux Tribe considers the poverty confronting our people a tragedy. We want jobs, not welfare.

The Family Support Act of 1988 provided our tribe and others around the nation an opportunity to launch a program to reduce the AFDC caseload on our reservation. The law enables Indian tribal governments and Alaska Native organizations to receive direct federal funding to operate a JOBS program.

At Rosebud we started our JOBS program the very first day we could: July 1, 1989. We implemented JOBS before the state of South Dakota did. Other tribes in both South and North Dakota did the same.

I would like to mention a few of the highlights of our tribe's JOBS program.

All of the participants in our JOBS program show self responsibility in their own families and in the JOBS component from which they receive services. At the current time we have participants in the following educational components:

- \* English as a second language. The native language for many of our people is Lakota.
- \* GED preparation.
- \* Vocational and other post-secondary programs at Sinte Gleska University, the tribe's own four-year university.

In August, four participants in our JOBS program will graduate from Sinte Gleska University. We are very proud of them. Their achievements will greatly increase their chances for employment for the rest of their lives.

The JOBS program does not place participants in on-the-job training (OJT) or in a Community Work Experience Program (CWEP) slot unless there is a guarantee of permanent employment for the participant. At the current time we have 55 people who are participating in these two components.

We have found permanent employment for 153 of our JOBS participants over the last three years. Please remember that we made these 153 job placements of AFDC recipients in an area where the jobless rate for Indian people is 88%!

The participants that request job readiness training attend a joint training session with our JOBS staff and the South Dakota County Extension program. This program works exceptionally well since the Lakota culture is an important part of the program, along with job readiness.

We are happy to work with the state of South Dakota's welfare agency. At the same time, our record of accomplishment would not have happened if the program had been left up to the state.

Child care services for JOBS participants are a good example of why services to AFDC recipients in reservation areas should be provided by tribal, not state governments.

The federal government -- HHS -- provides JOBS funds directly to the tribe for employment and training services for AFDC recipients. We have an active program. It reaches our people.

Many of our JOBS participants need child care to participate in education and training activities and to find and keep jobs. But the money for child care goes to the state, not the tribe. We both try to make this arrangement work, but the simple fact is that very few of our JOBS participants who need child care are getting it.

Across the United States, every tribe's story is different. Many of the lessons are similar, however.

AFDC is a major source of income support for Indian and Alaska Native people nationally. On the basis of the available HHS data, the Indian and Native American Employment and Training Coalition estimates that there are about 150,000 to 175,000 Native people on AFDC in reservation areas, former reservation areas in Oklahoma and in Alaska.

While the Bureau of Indian Affairs operates an income maintenance program called "General Assistance," it is considerably smaller than the AFDC program in reservation areas. It does not provide services on reservations in all states. Anyone who is eligible for AFDC or SSI is not eligible for the BIA General Assistance program. And the BIA General Assistance program does not include services equivalent to those available under JOBS.

A total of 77 Indian tribal governments, consortia of tribal governments and Alaska Native organizations currently run JOBS programs. The federal funds involved go directly from HHS to the tribes. The funds do not go through the states, and there is no state matching share requirement.

Under current law, only those tribes that submitted an application during a six-months period in late 1988 and early 1989 are eligible for such direct funding. More would like to participate. The law should be changed to allow all tribes to provide JOBS services to their people on AFDC.

Information from the reports submitted by tribes to HHS shows that an average of 5,000 Indian AFDC recipients in reservation areas receive JOBS services in an average calendar quarter.

Perhaps the most amazing aspect of the data available on our programs is the number of job placements. In Fiscal Year 1993, over 2,000 tribal JOBS participants nationally entered employment. This happened despite an overall jobless rate on all reservations of over 50%.

The tribal JOBS program is the centerpiece of our efforts at Rosebud to move our people off AFDC and into employment. The same is true of other tribes.

We would like to make several basic recommendations on how to move more Indian people off welfare and into work.

1. Federal law should continue to authorize a special employment and training program which enables Indian tribal governments and Alaska Native organizations to reduce welfare dependency in our communities.
2. This program should be directly funded by the federal government to tribal governments and be controlled by tribal governments.
3. The authorization and direct federal funding for this program should cover:
  - a. The full range of employment and training services.
  - b. All related child care services.
  - c. Costs related to providing employment slots during the time a person receives AFDC benefits, and afterwards for those who cannot find other jobs.
4. Funding for these services at an amount equal to not less than 2% of the amount provided to state governments for these services.
5. Administrative streamlining for this program. In particular, it is essential that we be allowed the continued use of any funds allocated to us but not obligated by the end of a Fiscal Year. The one-year, use it or lose it provision in current law has resulted in the shutdown of tribal JOBS programs at the beginning of every Fiscal Year.
6. Support for economic development to help our tribes create new jobs, particularly for employable people now dependent on welfare.

In this testimony my primary concern has been the JOBS program – moving our people off welfare and into work. At the same time, my experience with the AFDC system prompts me to speak briefly about several other issues which the Committee has under consideration.

- \* The role of tribal governments in relationship to state AFDC programs.

State welfare agencies run AFDC. Tribes are limited to providing employment and training services under the JOBS program. However, state decisions about AFDC have a very real impact in reservation areas. They also affect a number of other programs, most run by tribes and not states. State-initiated changes in AFDC, such as the ones now in effect in South Dakota, can have very adverse impacts on our people. Such state initiatives never seem to take the needs of Indian tribes into account. At the least, state welfare agencies

should be required to consult with tribal governments before initiating changes which impact AFDC recipients in reservation areas.

- \* Time limits.

The time limits on AFDC benefits proposed by President Clinton, as well as those being considered in the Congress, assume that there are jobs available for AFDC recipients. On Indian reservations this is simply not a realistic assumption. There should be exceptions from time limits for rural areas with very high levels of unemployment, including Indian reservations.

- \* Related programs.

JOBS and other services for AFDC recipients are only one way of assisting families until they have a chance to become self-sufficient. The various food and housing programs, including the commodity food distribution program operated on many reservations, are also vital. They must be continued and remain tribally administered.

It is particularly important that a full range of social services be available for those on-reservation Indian people that need them. A person should not have to go on welfare to receive such services. The Title XX Social Services Block Grant has the capability to support programs that can keep people off welfare. However, Indian tribal governments do not receive direct funding under this program and, with few exceptions, get little support through the funds given to state governments. At least 3% of Title XX funds should be reserved for tribal social services programs.

- \* Child support enforcement.

Federal law currently provides no role for tribal governments in this area. This has created serious jurisdictional conflicts between tribal and state courts. It has been a major subject of a Congressionally-mandated review of the interstate aspects of child support enforcement. Federal law should recognize the role of tribes as sovereign nations with a direct government-to-government relationship to the federal government. Tribal programs should be encouraged, along with cooperative tribal-state programs that recognize the interests of Indian families. We encourage the Committee to seek the recommendations of the Task Force on Child Support Enforcement created by the nation's largest intertribal Indian organization, the National Congress of American Indians.

That concludes my prepared statement. I would be pleased to respond to any questions the Committee may have on these issues. Thank you again for the opportunity to testify.

Ms. DUNN. Thank you very much, Ms. Archambault. Thank you very much for your testimony.

Mr. Pitts.

**STATEMENT OF T. MICHAEL PITTS, EXECUTIVE DIRECTOR,  
CHILDREN'S RIGHTS COUNCIL**

Mr. PITTS. Thank you, Madam Chairman. I would like to thank the Chair and the Members of the Committee for the opportunity to appear today.

For the past decade, the Children's Rights Council has been a national organization with chapters in most States dealing with the issues of family formation, family preservation and the problems that arise in families that suffer separation and divorce.

By now, the Members of this Committee are familiar with the infamous petitions which we collect in every one of your districts from Maine to Memphis to Monterey, California, to let you know that your constituents wholeheartedly support welfare reform. I guess the debate today is not whether we think that welfare should be reformed or not. We all know it should be. I guess the question is how.

We have had an opportunity to look over H.R. 4 and in the last session H.R. 4605, which I believe was the President's welfare reform proposal. I think both bring needed reform measures to the table. I guess the one thing that we would like to ask the Committee to take a look at is provisions that are not traditionally taken into consideration.

I agree with my brother at the end of the table who tells us that when we subsidize job entry for welfare recipients, we only displace people already in the work force, much to their detriment. I agree with my sister that education is an important factor in making sure that people have the opportunity to leave the welfare state never to return. Obviously, our goal is not to have recipients leave as they do now, only to return shortly later.

I will make an assumption and stipulate our belief at the Children's Rights Council that everybody on welfare does actually want to work. I have not met too many welfare recipients who fit the role model or the image that they want to stay at home and watch Oprah all day. I find most of them interested in caring for their children and finding productivity and transitioning back into self-reliance.

I think the most appropriate, moral, ethical and cost-effective way to accomplish this goal is to rely on the kinship care network. My legislative interns, Joanna Madrid and Amy Christensen, will now show you a chart which outlines the Children's Rights Council's welfare reform proposal.

Basically, right now people self-certify themselves for welfare. We believe that due diligence ought to be used in an investigation to see if there are members of the child's immediate family, whether it be father, mother, grandparent, aunt or uncle or cousins, that are willing to care for this child, are capable and able to do so without resorting to government assistance. It is the most traditional, ethical, responsible, and I think morally correct way for us to care for these children placed in situations of poverty.

One of the great reasons that women are not able to transition back into the work force is the impediment of child care. Child care is a burden. Most of us know it as a happy burden, albeit, it is still a burden. If we allow the children to be placed with a grandparent, a parent, anybody in the kinship care network, it relieves the responsibility of that recipient parent to pursue secondary education, to pursue job training programs, to do those things that are necessary to transition back into self-reliance.

The question arises then of will there be jobs for them to go to. Well, that is the question for a jobs bill, and I think that the biggest impediment for these people finding jobs is a lack of experience. I think H.R. 4 is correct in personal responsibility of requiring people to find work outside of the house. I think there is no better thing that these people or any of us can learn than personal responsibility and the work ethic, of leaving the home, accomplishing something on a daily basis, building up our self-esteem and allowing our children to see us be responsible, productive and contributing members of society.

Welfare should not be the safety net we are looking for. It should be kinship care. Kinship care provides that safety net. Before the advent of the welfare state and government's intrusion into family life, I do honestly believe that families took care of their own. And where they could not in certain cases, group homes or alternative care was an option, and they can still be good options. But kinship care should be their first and foremost option.

We have been lucky enough to have the assistance of a number of people to give us pro bono time, interns and our staff in preparing this welfare reform proposal which each Member of this Committee and every Member of the Congress has been sent, and we remain ready and willing to work with every Member of either party, of every constituency to bring this to the table, because we do believe that kinship care offers the government an option to get out of family life and allow families to run themselves.

I thank the Committee for the time and remain ready and willing to answer questions and assist you at any time.

[The prepared statement follows:]



**TESTIMONY OF T. MICHAEL PITTS**  
**EXECUTIVE DIRECTOR - CHILDREN'S RIGHTS COUNCIL**  
**BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES**  
**COMMITTEE ON WAYS & MEANS, SUBCOMMITTEE ON HUMAN RESOURCES**  
**FEBRUARY 2, 1995**

Mr. Chairman, I am honored to appear before your Committee and am fully cognizant of the momentous task before you. There is really no debate about the problem. Welfare is broken and it must be fixed. The million dollar question seems to be how.

There has been much debate over the stewardship of welfare programs. Whether it is remanded to the states or the federal government is at the helm, certain things must be done. H.R. 4 is a good beginning. So was H.R. 4605 in the 103rd Congress. Both of these bills provide for reform but neither treat the myriad issues that must be address for substantial and substantive reform. Welfare reform must be comprehensive and multi-organizational.

**1. Background**

Before the advent of the welfare state if parents could not care for their children other family members contributed to the children's support or took care of the children themselves. Government eventually subverted the family support system, which we call the kinship care network, by not only replacing the need for the extended family support network but actually requiring that families split into dysfunctional fragments to be eligible for assistance. True welfare reform must mean a cessation of the government caring for individuals and caring about them enough to allow the family to fulfill their traditional role of supporting themselves. Government need not provide for children while there exists capable and willing family members to care for the children without resorting to government assistance.

**2. CRC's Multi-Organizational Welfare Reform Position:**

There is widespread agreement that the current welfare system is destructive to the families that it was intended to help. Despite its good intentions, the government has made a devil's bargain with the poor -- "We will give you money as long as you continue to neither work nor marry." Current programs and many reform proposals are patronizing. They assume that large classes of citizens are simply too stupid and incompetent to make any current or near term contribution to their own support. Real welfare reform requires recognition that there is no respect for the individual unless there is respect for the individual's labor.

**3. "Making Work Pay": Rhetoric and Reality:**

Work always pays and there is always dignity in work. Our problem is that we have established a parallel system under which non-work often pays better. Most law abiding citizens work 40 to 45 years to qualify for a social security benefit that is smaller than a teenager's welfare package. Many welfare recipients are not unemployed, they are prematurely retired. We have long recognized that Social Security rules discourage paid employment among welfare recipients. The cornerstone of welfare reform must be respect for the importance and dignity of work. Except for the small number of people who are genuinely unable to make any contribution to their own needs, welfare must be a supplement, not a substitute for work.

Welfare reform requires attention to four areas: responsibility, paternity, accountability, and eligibility.

### **a. Responsibility**

Responsibility should be immediate, mandatory and universal. Beginning immediately with entry into any welfare program, every recipient should be required to devote 40 hours per week to some combination of job search, training and work with a strong emphasis on work. Actual work experience is generally the best training for advancement in the work place. An immediate, universal work requirement also eliminates the "no job" option and encourages serious search efforts for the best available job.

The work requirement can be satisfied by private employment or by unpaid public service in exchange for receipt of the welfare benefit. Work programs should not discriminate against the non-welfare working poor. Vouchers and other special incentives to hire welfare recipients create the risk of displacing other workers. We should not support programs that have the unintended consequence of encouraging people to enter welfare as the path to job preferences. Community service jobs (e.g. assignment to charitable organizations) provide benefits to the community and training to the employee at little or no government cost. Many of the current, unmet needs of communities can be satisfied by this new pool of labor as a supplement to, rather than a substitute for, current employees.

All programs must be open to and end the current discrimination against two parent families. In two parent families, at least one parent must satisfy the 40 hour requirement.

Welfare reform should also begin the process of examining barriers to entry-level job creation. Many worthy tasks in society are not performed because the total cost of obtaining labor, including regulatory and record keeping burdens, exceeds the value of the service. We need to examine the extent to which willing workers have been priced out of the market by government mandates.

Parents should continue to receive transitional benefits when they start to work in the form of purchase of care vouchers for licensed child care. As discrimination against two parent households is eliminated, a greater number of children will have access to child care from both parents. Finally, a portion of the community service assignments can be made to child care organizations to increase the available supply at little or no incremental cost. The Head Start Program already utilizes large numbers of low income parents who begin as unpaid interns and progress to paid staff and supervisory positions.

### **b. Paternity**

Current policy fails to distinguish between "runaway", "throwaway" or "driven away" parents. The federal government spends approximately two billion dollars per year on child support enforcement but purposefully and consciously excludes fathers from all parent-child programs. Under current Aid to Families with Dependent Children (AFDC) rules, the low income father who wishes to be a physical and emotional asset to his children also becomes a financial liability by disqualifying them from most assistance. Research conducted by Health and Human Services (HHS) itself confirms that both mothers and fathers distrust the bureaucracy and work jointly to conceal paternity. We cannot be surprised by low income parents who separate or conceal paternity when our policies make such behavior the economically rational course. A work requirement for single parents and an end to discrimination against two-parent households will change the dynamics of paternity establishment.

Eligibility for all federal programs should require establishment of paternity, beginning with eligibility for the Women, Infants, and Children (WIC) program. That program itself must be revised to develop and encourage the roles of fathers.

Paternity establishment forms in hospital programs should encourage the parties to voluntarily establish custody and visitation as well as financial support. Avoidance of poverty and welfare dependence is directly linked to father involvement. Child support compliance exceeds 90 percent in joint custody families. Child poverty rates and welfare dependency rates are much

lower in father custody families than in mother custody. Women's workforce participation and economic security are increased in joint custody and father custody families.

**c. Accountability**

AFDC and other programs are intended for the benefit of the dependent children. Adults receive the benefits and are expected to participate in the programs in support of the children's needs. Failure or refusal to participate in required programs or to spend the cash payments for the benefit of the children should be seen as evidence of child neglect or abuse. Such evidence should weigh heavily in determining whether it is in the best interests of the child to transfer custody to a more responsible relative or to consider a foster care placement. Prior efforts at reform have been reluctant to impose sanctions upon uncooperative and irresponsible adults because of a fear of "punishing the child." The reality is that current policies allow children to be held hostages to guarantee continued subsidy of adult irresponsibility.

All recipients should be required to reimburse the value of benefits received. Currently, child support paid by non-custodial parents is used for reimbursement after a \$50 per month waiver. The custodial parent should have the obligation to reimburse one-half of the welfare payments made on behalf of the child and each adult should have the obligation to reimburse benefits paid on behalf of that adult. Many welfare recipients require only short term assistance and that assistance can fairly be treated as a loan or a line of credit rather than as a grant. A uniform reimbursement requirement also encourages all recipient to minimize the period of dependency, take no more benefits than are required, and resume paid employment at the earliest possible date. Community service should be counted toward the reimbursement obligation but should be valued at a level that does not compete with the attractiveness of paid employment.

**d. Eligibility**

Under the law of each state, parents have an obligation of financial responsibility for their minor children. If the minor children themselves become parents, the minor parents should continue to be the obligation of their own parents. Accordingly, the birth of a child to minor parents may create a requirement for welfare assistance to the new infant but does not create a requirement for assistance to the minor parents unless their own parents are unable to supply the required support. Minor parents must live with or at the expense of their own parents. Payments on behalf of the new infant should be made to the parents of the minor parents as their guardians.

Welfare payments should be limited to citizens and immigrants with refugee status only, to prevent the perverse microeconomic incentive of giving welfare to immigration law violators.

Income based eligibility standards should consider both the income of the parents and any resources that are voluntarily available from the kinship network.

Fraud must be addressed as a serious matter. Welfare benefits are based on the applicant's self-reporting of available income. If welfare fraud has concealed additional income, welfare eligibility must be recalculated, at a minimum, to include the demonstrated capacity for self support. Other fraud reduction mechanisms including electronic transfers and improved identification verification must be adopted.

The Earned Income Tax Credit (EITC) must be modified to reduce the incentive and opportunity for strategies such as over-reporting of income to maximize benefits and to reduce discrimination against two parent families. Currently, many working class couples are ineligible for EITC, but simply by splitting into two dysfunctional fragments, both become eligible.

**4. Welfare Reform Through Kinship Care**

There is broad consensus that welfare dependency is not in the best interests of children. Recent legislative initiatives have begun to examine structural flaws in existing welfare programs. One of the best opportunities for reducing welfare dependency is to be found in the development of more thoughtful eligibility criteria to better identify the children who are actually in need of welfare assistance.

Currently, most welfare programs look only at the cash income of the custodial single parent without regard to the availability of voluntary kinship or extended family assistance. The attached proposal provides that welfare eligibility should be determined by examining all resources that are available voluntarily through the child's kinship network.

The proposal does not relieve the child's parents of their obligations nor does it impose new obligations on other relatives. Only voluntary kinship assistance is considered.

**Examples:**

Adolescent mother lives with her parents. The parents have a legal obligation to support their adolescent daughter and are willing to care for grandchild while daughter completes school or work. Welfare dependency is not in the best interests of the child and eligibility should be denied.

Aunt and uncle are willing to provide child care while custodial parent works. Welfare dependency is not in the best interests of the child and eligibility should be denied.

Brother is willing to care for child of drug abuser with or without change of custody/guardianship. Welfare dependency is not in the best interests of the child and the eligibility should be denied.

Whenever a parent applies for welfare eligibility before eligibility is certified the government must require that the applicant disclose the names, addresses and telephone numbers of all members of the kinship care network. This works hand-in-hand with paternity establishment and must include the paternal kinship care network as well as the maternal network. Simple notification to these family members by mail stating that welfare benefits have been applied for in the name of the child(ren) will allow these family members to notify the court that they are available, willing, and able to care for the child without resorting to government assistance. This will cut down dramatically on the amount of tax dollars spent needlessly on children who already have family willing to support them.

All of this will accomplish government's stated goal of encouraging family preservation by extending and reinforcing a child's kinship care network as well as keeping the child from entering the too often multi-generational dependence cycle that is so destructive to both human spirit and development.

Copies of CRC's Multi-Organizational Welfare Reform Position have been sent to every Member's office. I recommend that this position be included in every welfare reform proposal as it is the most ethical, moral and workable solution on the table today. Much more than that, CRC's position is child and family friendly.

There is much rhetoric today about personal responsibility and paternity establishment being punitive to children. It cannot be said that the Children's Rights Council's Welfare Reform Through Kinship Care Position "punishes" children. In fact, reinforcing a child's access to every member of their family, living in self-sufficiency without government assistance, and witnessing and developing a solid work ethic while contributing to our society is everything but punishment. Welfare not only fails to foster any of these things, it poisons almost every one of them. It is America and family at their best. No child ever suffered from too much good parenting, too much love, too much family support or good work ethics and sense of self reliance.

Ms. DUNN. Thank you, Mr. Pitts. That is a great offer to be a resource for us.

We will move next to Cynthia Newbille, who is executive director of the National Black Women's Health Project.

**STATEMENT OF CYNTHIA I. NEWBILLE, EXECUTIVE  
DIRECTOR, NATIONAL BLACK WOMEN'S HEALTH PROJECT**

Ms. NEWBILLE. Good afternoon, Madam Chair and Members of the Subcommittee.

I am Cynthia Newbille, and I am executive director of the National Black Women's Health Project. We are a national and international self-help and health advocacy organization committed to the empowerment of black women. We currently have membership in 42 States.

I appreciate the opportunity to testify before your Subcommittee on the issue of welfare reform. As an organization that serves the needs of black women, we see firsthand how problems such as poverty, unemployment, and welfare affects the lives of black women and their families. I certainly commend you for attempting to tackle this important issue.

As your Subcommittee prepares to take up welfare reform legislation, I would urge you to think of women and families who will be affected by your decisions. Much of what the general public believes about public assistance is based on myths and stereotypes about welfare recipients. Black women have largely borne the brunt of these misperceptions.

For this reason, I believe that it is imperative for you to listen to the perspectives of low-income women in your discussions about legislation impacting their lives. We work directly with low-income women, many of whom are welfare recipients. Based on this firsthand knowledge, we know that this proposal will not work. I am sure that you share my belief that the welfare system as it exists today does not encourage self-sufficiency among recipients. However, we cannot blame women and children for the problems of a system which disempowers and punishes women and perpetuates their dependency.

PRA attempts to legislate the behavior of poor women. Child exclusion policies deny benefits to all out-of-wedlock children born to teen mothers, children born to mothers already receiving welfare, and would deny benefits to children whose paternity has not been established. These policies are predicated on false and demeaning stereotypes fueled by ignorance and racism.

There are two common stereotypes about women who receive welfare. One, women on welfare have additional children to receive an increase in AFDC benefits. To suggest that any woman would go through 9 months of pregnancy and then childbirth to receive an additional \$30 to \$100 per month is absolutely ridiculous. This minimal amount of money is not enough to support a baby, and it is certainly no incentive to have one.

Another stereotype about welfare recipients is that women who receive welfare benefits are more likely to have children and are likely to have larger families. Both are untrue. Studies indicate that women on welfare are less likely to get pregnant than

nonrecipients. Also, welfare families average fewer children than other families in the United States.

Conservatives are fond of saying that the current welfare program does not promote family values. The PRA assaults the very tenets of family values by encouraging the institutionalization of poor children, increasing homelessness by denying housing benefits to poor families, and promoting hunger by reducing food and nutrition programs.

If we are to have a society that truly values families and children, regardless of their economic status, we must acknowledge that families need basic necessities like food and shelter to survive. The PRA does not provide basic necessities. As a Nation that values its families and children, this is the very least that we should expect from any welfare proposal passed by Congress.

NBWHF has recently conducted focus groups with current and former welfare recipients in Ohio, Louisiana, Pennsylvania and Georgia. I would like to share with you the life experiences of one of those women. I will refer to her as Miriam.

Miriam is a young black woman residing in Georgia. She was a teen mother. She had one child due to failed contraception. Since Georgia only provides abortions in cases of rape, incest or life endangerment, she was not eligible for abortion services. Miriam spent 4½ years on welfare. The last 3 years, through her own initiative, she participated in our self-help empowerment program. She became employed and is currently an MIT fellow, specializing in community development. Miriam will return to Georgia as a productive contributing citizen. Under PRA, Miriam would not have been eligible for welfare benefits. As a result, she would have been perpetually stuck in a cycle of poverty.

Legislators have attempted to address welfare reform issues for the past 60 years. In those 60 years of failed social experiments on the poor, welfare recipients have rarely been asked what they need. There is no magic solution for poverty, unemployment or welfare dependency. However, as a first step, Members of Congress must develop policies that facilitate the empowerment of women so that they can become self-sufficient. The PRA does not promote self-sufficiency or the empowerment of women.

Many of our recommendations for welfare reform legislation may not be politically popular or expedient, but they must be seriously considered as suggestions to current legislative proposals.

Ms. DUNN. Have you concluded, Ms. Newbille?

Ms. NEWBILLE. Not really.

Ms. DUNN. Why don't you take another couple of sentences and then wrap things up.

Ms. NEWBILLE. Thank you. I just have one last thing to say.

If we pass this current piece of legislation as it exists, I would suggest to you that we will no longer have to tune into late night television to observe stories about starving women and emaciated children in underdeveloped countries. In fact, all we will have to do is step outside our front doors and we will see plastered across this country's landscape poor women and children on the streets of America starving.

Thank you.

[The prepared statement follows:]

**TESTIMONY OF CYNTHIA I. NEWBILLE  
NATIONAL BLACK WOMEN'S HEALTH PROJECT**

Good afternoon, Mr. Chair and Members of the Subcommittee. I am Cynthia I. Newbille, Executive Director of the National Black Women's Health Project (NBWHP), a national self-help and health advocacy organization committed to the empowerment of Black women through wellness education.

I appreciate the opportunity to testify before your Subcommittee today on the issue of Welfare Reform Legislation. As the Executive Director of an organization that primarily serves the needs of Black women, I see first hand how problems such as poverty, unemployment and welfare have impacted the lives of Black Women and their families. The Center for Black Women's Wellness, established by NBWHP and based in three Atlanta area housing projects, was designed to address the special concerns of low-income women. This program provides wellness education, self-help group development and social service information and referrals.

I certainly commend you for attempting to tackle this important issue. As your Subcommittee prepares to take up welfare reform legislation, I would urge you to think of the women and families who will be affected by your decisions. Much of what the general public believes about public assistance is based on myths and stereotypes about welfare recipients. For that reason, I believe that it is imperative for you to listen to the perspectives of low-income women in your discussions about legislation impacting their lives and the lives of their children.

Welfare was originally designed to provide an economic safety net for low-income women and children. Unfortunately welfare reform proposals that have been introduced at the federal and state level have targeted and penalized the individual instead of attempting to rectify the failures of the welfare system. I believe that the Personal Responsibility Act (H.R. 4), the welfare reform proposal being debated by this Subcommittee is a classic example of the types of proposals we have witnessed over the past several years.

I am sure that many of you on this Subcommittee share my belief that the welfare system as it exists today, does not encourage self-sufficiency among recipients. However, I refuse to blame women and children for the problems of a system which perpetuates their dependency.

Mr. Chair, certain Members of Congress have claimed that the current welfare system, encourages out-of-wedlock births, crime, drug use and most other societal ills. The first two pages of the Personal Responsibility Act (PRA) state these facts.

NBWHP works directly with low-income women who are disproportionately welfare recipients. Based on this first hand knowledge, I know that this proposal will not work. No matter how much we might want to legislate, drug use, crime and poverty, these matters reflect human conditions that are simply too complex to eliminate through legislation. Congress cannot legislate human behavior nor should it attempt to; PRA attempts to change the behavior of welfare recipients.

The Personal Responsibility Act will have a devastating impact on the women and children served by current welfare programs such as Aid to Families with Dependent Children (AFDC), public housing programs and the Food Stamp Program. I would implore you to keep these women and children in mind as you are debating welfare reform legislation.

**I. PROBLEMS WITH THE PERSONAL RESPONSIBILITY ACT**

The years of anti-poor anti-welfare rhetoric have had a devastating effect on the public's perception of women who receive welfare benefits. African American women have largely borne the brunt of these misperceptions.

President Clinton campaigned on a pledge "to end welfare as we know it." His statements on overhauling the welfare system spawned debate on welfare policies at the state level and prompted hearings and legislation on welfare reform

in Congress. Last year, the Clinton Administration offered a welfare reform plan that would restrict the benefits of women and children on welfare. This plan set the tone for debate on welfare reform.

The Personal Responsibility Act, introduced this session by House Republicans, moved the debate on welfare reform dramatically to the right. It is the most restrictive welfare reform proposal introduced in Congress thus far. Major provisions of the bill include:

#### **Child Exclusion Policies**

**Family Caps.** All out-of-wedlock children born to mothers already receiving welfare would be ineligible for welfare benefits. This policy includes children who were conceived while the mother was working, but who were born while the mother was receiving welfare.

Child exclusion policies are based on two stereotypes about women who receive welfare, 1) Women on welfare have additional children to receive an increase in AFDC benefits; 2) Women receiving welfare have larger families than the average American family.

To suggest that any woman would have a child to receive an additional \$30-100 per month AFDC benefits is ridiculous. This minimal amount of money is not enough to support a child, and is certainly no incentive to have one. This policy attempts to coerce poor women's family planning decisions by denying their newborn children benefits. Child exclusion policies or family caps hurt the children of already impoverished families by denying them resources to survive.

In addition, the policy suggests that women who receive welfare benefits are more likely to have children while receiving welfare benefits. This is also untrue. Studies have indicated that women on welfare are less likely to get pregnant than non-recipients. Moreover, the average welfare family has less children than other families in the United States. Currently, forty-two percent of AFDC families have only 1 child. Thirty percent have 2.

Women have children (rich or poor) for a variety of reasons. Women, regardless of their economic status, often become pregnant while taking every precaution available to them. Accordingly, women who receive AFDC benefits should not be denied the same rights guaranteed to most other women in America -- the freedom to have complete autonomy in making family planning decisions.

**Refusing Aid For Unmarried Teenaged Mothers and Their Children.** Children born to unmarried teenagers under the age of 18 will be permanently ineligible for AFDC and housing assistance. States will have the option of extending the age of ineligibility to 20.

PRA emphasizes out-of-wedlock births among teenagers as a major cause of welfare dependency. Teen pregnancy has often been unfairly characterized as the main reason for welfare dependency and poverty among women. While it is certainly important to prevent teen pregnancy it is not the main cause of poverty and welfare dependency among women. Welfare dependency is caused by an array of reasons such as unemployment, lack of employment skills or education, lack of child care etcetera.

Blaming teenagers for welfare dependency and poverty also cannot be substantiated since few welfare recipients are teen mothers. Of 4,375,000 welfare households, only 8.1% are headed by teen mothers. Minors, or those under the age of 18 make up less than 1.2% of the 8.1% of welfare households headed by teenagers.

Since the PRA would unfairly deny benefits to those teenagers who have children out-of-wedlock, this proposal tacitly coerces teens into marriage. While there is



certainly evidence which suggests that children are better off in families with fathers than without, there is no evidence which suggests that welfare is the primary reason for out-of-wedlock births.

***Paternity Establishment Requirements.*** All children for whom paternity has not been established will be denied AFDC. Since there are no requirements for the father to participate in paternity establishment, children can remain ineligible for AFDC even if the mother fully cooperates with the state by providing information on the father.

According to the Center on Budget and Policy Priorities, paternity establishment requirements would deny benefits to 29% of children currently receiving assistance. As I am sure that most of you are aware, many states are currently overburdened with paternity cases now. This new requirement would place an additional burden on many states who are already ill-equipped to deal with the cases they have. Moreover, since children will not be eligible for benefits until after paternity establishment, poor families, particularly poor children, will have to do without food, without housing, without shelter until the state completes its paperwork and investigative requirements.

This provision also discriminates against poor women, since it is only required of women who are receiving AFDC benefits. It is voluntary for all other women whose child support awards are being enforced by the state. The NBWHP would recommend that states strongly encourage women to help establish paternity. However, there should not be a two-tiered system of child support enforcement requirements for women who are receiving welfare benefits and those who are not.

#### **Establishment of State-Run Orphanages**

States will have the option to use money "saved" from denying assistance to poor mothers and children, to establish state-run orphanages, foster care programs and adoption assistance programs.

This is probably the most disturbing provision of the PRA. This provision, belies the hypocrisy of this welfare reform proposal. While the PRA emphasizes responsibility, self-sufficiency and "family values" its "tough love" provisions will instead lead poor families to give up their children because of destitution.

Orphanages are full of children who have been abused or neglected by their parents. That is why orphanages were created. They were not created to house children who have families that love and care for them. This provision is an assault on poor families. Instead of giving minimal assistance for poor families to stay intact, the federal government would give money to orphanages with this proposal. This is not the kind of "tough love" most Americans want to see.

#### **Life Time Limits for Receipt of Benefits and Participation in Work Programs**

States will have the option to cut off AFDC benefits to families after 2 years. States must limit welfare and workfare benefits to 5 years. Both of these time limits include participation in work programs of at least one year. After reaching the time limit, a family will be permanently ineligible from receiving AFDC benefits. Children living with grandparents on Social Security will also be subject to the states' time limits for AFDC.

All AFDC recipients will be required to work 35 hours per week. There are no exemptions from this requirement. Parents with infants or disabled children are required to work even though this bill has no childcare provisions.

The major flaw of this provision, is that it does not address the issue of unemployment. Unemployment is one of the major causes of welfare dependency.

If there is no mechanism to ensure that the poor will have an economic safety net when there are no jobs in their state or community, life time limits on benefits and work requirements are unreasonable and cruel.

#### **"Gag Rule" on Abortion Counseling and Services**

Savings generated by cuts to welfare programs can not be used to fund programs that provide counseling on abortion, or to fund abortion services. Despite bipartisan opposition to past "Gag Rule" legislation, this provision would prevent health providers who receive federal funding from giving women full and accurate information about their health decisions.

Women have a right to full information about health services that are legally available to them. The federal government must not interfere with a woman's right to have full information about all health options and services available to her.

#### **Cuts in Aid to Families**

The PRA would demand drastic cuts in AFDC, the Special Supplemental Feeding Program for Women Infants and Children (WIC), the school lunch program and other programs designed to help the poor. PRA merges the food stamp program, WIC and the school lunch program in to one block grant. This block grant will be placed several billion dollars below current funding levels, thereby drastically reducing the number of families and children who will have access to these services. The bill would eliminate the "entitlement" status of these programs and would also set a limit on how much could be spent on the block grant each year.

NBWHF is very concerned about any proposals which would block grant AFDC and food programs for the poor. Under block grants, if a state receives significantly less funding than it would have if the program had remained an entitlement, states would be forced to cut resources to the poor. I am also deeply concerned that cuts to programs such as AFDC and food stamps will be the first on the table for annual budget cuts by Congress if these programs are block granted.

#### **IMPACT OF PRA ON POOR WOMEN AND CHILDREN**

The PRA will have a devastating impact on poor families, particularly children. According to the Center on Budget and Policy Priorities, over five million children who would be eligible for aid under current law, will be denied assistance under the PRA. As a direct result of the policies under PRA, many families will be unable to provide the basic necessities of food and shelter for their children. Moreover, since cuts will be made to programs that specifically provide food to poor children like the school lunch program and WIC, these cuts portend long term health consequences for America's poor children.

Although the "Contract with America" was introduced under the guise of creating a more "family friendly America", its welfare reform proposal actually encourages the destruction of families. PRA gives states the resources to establish orphanages for poor children, but denies these same benefits and resources to millions of poor families. While we would agree that changes must be made to the welfare system, policies which take benefits from teenaged mothers and their children and deny benefits to children born out of wedlock, do not reform the welfare system -- they destroy poor families.

Conservatives are fond of saying, that welfare does not promote "family values". PRA assaults the very tenets of "family values" by encouraging the institutionalization of poor children; increasing homelessness by denying housing benefits to poor families; and promoting hunger by reducing food and nutrition programs. If we are to have a society that truly values families and children regardless of their economic status, we must acknowledge that families need a

safety net of basic necessities, including food and shelter, in order to survive. PRA does not provide this safety net. As a nation that values its families and children, this is the very least that we should expect from any welfare reform proposal passed by Congress.

## **II. NBWHP'S RECOMMENDATIONS FOR WELFARE REFORM**

The National Black Women's Health Project (NBWHP) believes that in order to move low-income people out of poverty, a complete overhaul of the welfare reform system is necessary. We would make the following suggestions for comprehensive reform:

### **Comprehensive Job Creation Strategy**

The main objective of welfare reform should be to facilitate the movement of low-income families from a system that perpetuates a lifelong cycle of dependency on government benefits. A commitment by Congress to enact welfare reform legislation that provides employment for those who want to work, is a first step towards ensuring that welfare recipients break the cycle of dependency. A comprehensive job creation strategy is necessary to accomplish this goal.

Congress must acknowledge its acceptance of a consistent targeted national unemployment rate of 6% (13 million unemployed). In doing so, Members must assess the impact of this implicit policy target on the ability of all people to find employment. As a first step in addressing this issue, welfare reform must promote the principles of full employment. It should include a comprehensive program to ensure that there is a job for everyone who wants a job. A comprehensive job creation strategy must ensure that jobs provide liveable wages.

States should be given economic incentives to develop programs that will enable welfare recipients to move into public/private sector jobs without government coercion. The use of tax breaks or partial wage subsidies can be used as an incentive for employers to provide employment to welfare recipients. In addition, low income working families (at or below the federal poverty level) must be allowed continued receipt of benefits such as food stamps and Medicaid.

### **Raising the National Minimum Wage**

True welfare reform must promote self-sufficiency and independence. Congress must raise the national minimum wage as part of the strategy for reform. The inability to find employment that provides a liveable wage is the primary reason cited by low-income families who have temporarily received welfare benefits. Raising the minimum wage to an appropriate level, adjusting yearly for inflation, would be a significant step towards securing economic independence for low income families.

Continued expansion of the Earned Income Tax Credit (EITC) would also help to increase the wages of low-income workers. The EITC allows workers to receive an advance credit of up to 60%. The expanded EITC raises a minimum wage job (\$4.25 per hour to \$6.00 per hour) for an employee with 2 or more children.

### **Universal Health Care Reform**

Welfare reform legislation cannot be accomplished without universal health care. Many welfare recipients are trapped in a system of dependency because they cannot find employment that provides health care benefits for their families. Universal health care coverage for families will enable recipients to leave the welfare system without the fear of losing health coverage for their families.

Newly employed welfare recipients must have continued coverage under the Medicaid Program. In addition, the working poor must have access to health care coverage. A good first step towards increasing coverage for the working poor under incremental reform legislation would include phased-in employer mandates.

#### **Housing**

Adequate housing, rent subsidies and standard public housing must be an integrated part of comprehensive welfare reform. Demonstration programs must be provided that allow for community involvement. Programs which allow families to move into "mainstream" housing or apartment units through housing or rent vouchers must be given priority. In addition, every effort must be made to increase the availability of public housing for low-income families.

#### **Education/Training**

States must be given the necessary resources to provide welfare recipients with educational opportunities and job training. These services however, must not be prerequisites for receiving welfare benefits. Educational opportunities should include post secondary education (college) or vocational training which place an emphasis on the development of skills. This will help recipients achieve independence and self-sufficiency rather than temporary employment.

#### **Child Care**

Comprehensive welfare reform legislation must include child care. Funding for child care is necessary for the working poor to help them stay self-sufficient. Lack of child care or money for child care is often a major impediment for the working poor. The same holds true for families when leaving the welfare system. Since child care costs are often higher than a family's take home pay, many families are often economically worse off paying for child care when employed than under the welfare system.

Currently, welfare recipients enrolled in the JOBS Program receive child care while working, in training programs or when enrolled in school. They also receive child care for up to 1 year after leaving welfare for employment. In order to help move families out of the welfare system, the provision of child care is mandatory for all welfare recipients. Also, the promotion of child care in the workplace and within the public school system should be a top priority. States must receive additional funding to provide these services.

#### **Child Support Enforcement**

Mandatory paternity establishment before receipt of welfare benefits is not an effective mechanism to provide support for poor women and their families. Welfare benefits should not be linked to paternity establishment.

The amount of child support awards must be increased to reflect the needs of families. Stricter child support enforcement guidelines are also necessary under reform. Federal requirements which mandate the revocation of professional licenses and enforcement of child support orders and awards may help in the collection of some payments. However, in Black communities that are already overburdened with high unemployment levels, this could prove to be ineffective.

#### **Family Support**

Welfare reform legislation should place an emphasis on improving the quality of life for families. Support programs such as parenting classes, nutrition and substance abuse programs and the elimination of policies which penalize two-parent households must be included in any proposal enacted by Congress.

**Transportation**

Access to transportation is necessary to participate in job training, education programs, job interviews and child care. These services must be covered under welfare reform legislation.

**Caseworkers**

Caseworker training is an important component of welfare reform. Because of declining state resources, caseworkers are often overworked. As a result, the amount of time spent with welfare recipients is limited and structured. More resources should be spent on increasing the number of qualified caseworkers to better enable them to meet the needs of the people they serve. In addition, training in conflict resolution and cultural sensitivity is necessary to help caseworkers deal effectively with the people they are employed to help.

**Program Administration**

Administrative simplification should be a top priority of welfare reform. The distribution of and application for welfare benefits should be simplified in order to reduce the costs of administering the program. In addition, the administration of welfare benefits must reflect the needs of the recipients. Community-based social service offices with Saturday or evening hours will help to accommodate those recipients who are working.

Legislators have attempted to address welfare reform issues for the past 60 years. In those 60 years of failed social experiments on the poor, welfare recipients have rarely been asked what they need. There is no magic solution for poverty, unemployment or welfare dependency. However, as a first step, Members of Congress must recognize the true problems of the welfare system. Most of our recommendations for welfare reform legislation, may not be politically popular or expedient, but they must be seriously considered as suggestions to current legislative proposals.

Ms. DUNN. Thank you for your testimony.

We will now go to questions. Mr. McCrery will inquire.

Mr. MCCRERY. No questions.

Ms. DUNN. Mr. Ford.

Mr. FORD. Thank you very much, Madam Chairman.

Mr. Pitts, let me once again say hello. I had the opportunity to appear with him last week on a nationally televised show.

You mentioned something that night about the marriage penalty. I know we are talking about welfare reform, but in this Contract With America, as we know that this Contract is calling for \$2 billion to be thrown at this problem. I bring this marriage penalty up, because when we talk about children in poverty and the welfare cycle itself, you raised the question in the context of welfare reform the other night on this talk show. Will \$2 billion really respond to this problem? You talked about how you were just recently married and talked about the marriage penalty and what harm it has caused many working poor families in this country.

Mr. PITTS. I would like to thank you, Mr. Ford, for putting me on the spot. There is certainly no doubt about it, it is an inadequate number. But we do know that the marriage tax penalty discourages families at its very basis. What we do know works is family. It keeps us from reeling into the problem of welfare and poverty.

Certainly, I am not suggesting that H.R. 4 is the end-all bill to everything. I think I had earlier said H.R. 4605 in the last session had some great parts to it. What I would say, though, is that we need to take steps in the right direction. Some people would say they are not enough, some people say they do not go far enough. All I know is what has been happening for the last 60 years has not worked, and I think in that regard we need to get rid of the marriage tax penalty.

I think we need to take a look at providing alternatives to government-subsidized child care and start getting back into the family care and the kinship care that will provide children an opportunity to benefit. No one is suggesting that a child is being penalized while their mother transitions back into the work force, gets the training necessary by living with an adequate, capable, and willing family member.

Mr. FORD. Education and training naturally is a key component for the welfare population in general. But what about the job-ready population? Statistics show us that about 65 percent of all adults who are able to work move off the welfare rolls within the first 24 months. The problem with that is that in the first year about 35 percent come back on the rolls, and over a 2- or 3-year period up to about 60 percent of those who left the rolls ease back into the welfare population.

Is there any magic in this Contract With America about 2 years, no work, no training, you are automatically cut off of your cash benefits of welfare? Is there any magic in waiting 2 years for those who might be job-ready, if we are going to give States the flexibility to create these JOBS Programs that would allow them to move off the welfare rolls right away, providing of course that you have case managers willing to work in these JOBS Programs or enough flexibility in the States' JOBS Programs to look at the earned income

tax credits and to look at what the administration proposed in its bill last year about a disregard for food stamps, that would make work a lot more attractive than welfare is today?

Mr. PITTS. I think 2 is not a magic number. I think one of the great things we have as Americans, though, is the ability to rise to meet the occasion. I think Justice Brandeis was writing at the turn of the century in an opinion that the courts have a responsibility to hand down models of expected behavior in all its decisions. I think the Congress has an opportunity to do the same thing.

As a serviceman in the early eighties, when we required that people no longer have criminal records, when they have a high school education, we found that we had one of the most professional armies, and we did it because we set a standard and we expected people to reach out and achieve that standard.

I think if we tell people 2 years and you are out, there will be people that fall through the cracks. But, by and large, I think people will rise to the occasion. We have done it in every circumstance where Americans have been challenged individually and as a Nation, and I think the Congress—

Mr. FORD. A one-size-fits-all really does not apply to the welfare population overall, because there are those who will move onto welfare because of the loss of a job or because of problems that might be within the economy. What happens to that hardcore group that will in fact need education and training in order for them to break this vicious cycle of welfare that they have been trapped in for so long? My time is up, so I guess if you take 10 seconds to try to respond to that.

Mr. PITTS. I promise I will try to deal with you and your staff on that issue, and we will continue to explore it together.

Mr. FORD. Thank you.

Ms. DUNN. Thank you, Mr. Ford.

Just a couple of comments. Ms. Archambault, as I am reading through H.R. 4, there is here a statement that if we go the block grant route, a portion of that would be distributed to the States, that a separate portion would go to the Indian tribes.

Ms. ARCHAMBAULT. It will go to the tribes?

Ms. DUNN. Yes.

Ms. ARCHAMBAULT. Thank you.

Ms. DUNN. Ms. Wolfe, I just wanted to comment that I thought your statement was excellent, and your advocacy for higher education for women is very badly needed, and we have to figure out how to help to get that done.

I thank the panelists very much. You have been very informative and very helpful to all of us. Thank you.

The next panel is composed of Ethel Zelenske, staff attorney for the National Senior Citizens Law Center of the Philadelphia Welfare Rights Organization; William Parshall, deputy managing director, Special Needs Housing, Office of the Mayor of Philadelphia, Pennsylvania; Don MacAllister, founder of the Orange County WORKS, Orange County, California; Robert E. Friedman, chairman, Corporation for Enterprise Development; and James Goldstein, benefits coordinator for the AIDS Project of the East Bay, Oakland, California.

Why don't we begin with Ms. Zelenske.

**STATEMENT OF ETHEL ZELENKE, STAFF ATTORNEY,  
NATIONAL SENIOR CITIZENS LAW CENTER, PHILADELPHIA  
WELFARE RIGHTS ORGANIZATION**

Ms. ZELENKE. Thank you for the opportunity to testify today.

I am an attorney who has represented persons in SSI cases for more than 15 years. My testimony will focus on the need to retain SSI as an entitlement program.

SSI is the only national effort to date that insures that poor, aged, blind and disabled persons receive a minimum income. Since its inception in 1972 when it replaced more than 1,300 State and local programs, SSI has saved millions of the most vulnerable persons in this country from dire destitution. It has provided a means for these individuals to avoid institutionalization and to lead independent lives in our communities.

Two notable examples of former clients of mine among the hundreds I represented include a 62-year-old woman with terminal stomach cancer. Her only other income was a \$200 per month Social Security retirement check, and the reason it was so low was because she had been employed as a domestic worker all of her life and her employers had failed to pay enough taxes into the system.

Another client was a mentally retarded woman who had spent most of her life in a State mental retardation facility. Upon release, her family abused her and she was unceremoniously and quite inappropriately dumped in a State hospital for mentally ill persons. SSI helped secure a supervised living arrangement for her in the community where she was eventually able to work in a supervised setting.

These cases exemplify the need to retain SSI as an entitlement. If the status is removed and the appropriation proves inadequate, Solomon-like decisions would have to be made that would impact these types of eligible individuals.

Currently, I focus on the needs of poor elderly persons, in particular, vulnerable elderly populations such as women and persons of color. Unfortunately, their needs for the SSI Program is greater than ever. Census Bureau statistics indicate that the number of poor elderly persons continues to climb, especially among these vulnerable populations.

For instance, elderly women are twice as likely as elderly men to be poor. Elderly Hispanics are twice as likely, and elderly blacks three times as likely as elderly whites to be poor. The additive effects of sex, race and age is dramatic. More than one-half of black women age 75 or older are poor.

In addition, women do not benefit from the Social Security system as much as men do. On average, women's Social Security retirement benefits are only three-fourths that of men, yet women rely more on Social Security benefits for a higher percentage of their income. Despite the need for SSI, repeated studies have shown that only about 50 percent of eligible elderly persons receive SSI.

Even though SSI on its own is not enough to raise people out of poverty, since it represents only 75 percent of the poverty guidelines, it nevertheless has served to alleviate the poverty of vulner-



able elderly persons. Undoubtedly, the poverty rate among the over 2 million elderly persons on SSI would be higher without the program.

For example, over 64 percent of aged SSI recipients also receive Social Security retirement benefits which are below the SSI level. As I noted earlier, women in particular benefit from the supplement provided by SSI. Overall, over 78 percent of elderly SSI recipients are women. Women also rely on SSI at an earlier age, since the majority of blind and disabled recipients are women.

Finally, I urge the Subcommittee to carefully consider restrictions in the eligibility of legal immigrants. On a personal level, the experience of my own father exemplifies the concerns of immigrants who, for a variety of reasons, are unable to become citizens. He came to the United States in 1949 as a 50-year-old refugee after World War II. He was illiterate and worked for over 20 years at minimum wage, with no health insurance until Medicare was created. He did not draw Social Security retirement benefits until age 70, because he continued to work. His monthly benefit amount was quite low, given his salary.

He tried on three occasions to become a citizen and failed the test all three times because he could not read or write in English.

Despite his years of hard work, he would not have been eligible for SSI under H.R. 4, first, because it would be available to refugees only during their first 6 years in the country, and second, because it is available to these immigrants only once they are over 75 years old.

In conclusion, I urge the Subcommittee not to throw the baby out with the bathwater. Specific concerns about the SSI can be addressed without destroying the fundamental nature of the program.

Thank you.

[The prepared statement and attachment follow:]

**NATIONAL SENIOR CITIZENS LAW CENTER**  
 1815 H STREET, N.W., SUITE 700  
 WASHINGTON, D.C. 20006

TELEPHONE: (202) 887-5280    FACSIMILE (202) 785-6792

WASHINGTON, D.C.  
 BURTON D. FRETZ  
 EXECUTIVE DIRECTOR

**STATEMENT OF ETHEL ZELENSKE, STAFF ATTORNEY  
 NATIONAL SENIOR CITIZENS LAW CENTER  
 BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES,  
 COMMITTEE ON WAYS AND MEANS  
 UNITED STATES HOUSE OF REPRESENTATIVES**

**HEARING ON WELFARE REFORM PROPOSAL IN H.R. 4**

**FEBRUARY 2, 1995**

The National Senior Citizens Law Center (NSCLC) provides national advocacy and support services on behalf of poor persons with specific emphasis on representing the interests of the lowest income elderly people, particularly women and racial and ethnic minorities. One of NSCLC's priority areas is increasing income security for low-income elderly persons, including the Supplemental Security Income (SSI) program.

Lost in the debate over problems in the program is the fact that SSI is the only national effort by the federal government to assure that needy aged, blind and disabled persons receive a minimum income. The program has saved millions of the most vulnerable persons in this country from dire destitution and has provided a means for elderly and disabled individuals to live outside of institutions and to be independent.

H.R. 4 proposes to eliminate the entitlement status of the Supplemental Security Income (SSI) program and impose an annual spending cap on SSI. My statement analyzes the impact such changes would have on individuals who are currently eligible for SSI, in particular, poor elderly persons.

As an entitlement, SSI has been available to every eligible person and has been responsive to unforeseeable factors, such as economic downturns or increased numbers of poor elderly persons. However, if the entitlement status of SSI were eliminated and appropriated funds proved to be insufficient in a given year, eligible elderly and disabled persons could be affected in the following ways:

- ◆ Further applications might not be taken from eligible individuals
- ◆ Eligible elderly and disabled individuals might be placed on waiting lists
- ◆ Benefits to current recipients could be reduced
- ◆ Cost-of-living adjustments could be reduced or eliminated
- ◆ More persons could become homeless or remain in institutions due to the loss or unavailability of cash assistance

In addition, many States fund projects that assist disabled adults and children who receive state benefits to apply for SSI. These disabled individuals, even if found eligible, would no longer have a right to receive SSI.

As described below, it is critical that the entitlement status of SSI be retained and that no spending cap be imposed. SSI remains an integral part of the "safety net" for millions of vulnerable persons living in the United States. Concerns about particular issues should be addressed without changing the fundamental nature of the program.

#### **I. WHY SSI WAS CREATED: THE NEED FOR A NATIONAL UNIFORM PROGRAM OF BASIC SUPPORT TO NEEDY PERSONS**

Prior to 1972, the federal government provided matching grants to the States for their means-tested programs of Old-Age Assistance (OAA), Aid to the Blind (AB), and Aid to the Permanently and Totally Disabled (APTD). The grant program, intended to encourage States to adopt such programs,<sup>1</sup> resulted in 1300 separate state and local programs with differing eligibility requirements and payment levels, including some with very low benefit amounts. Other programs had specific eligibility requirements that discouraged needy persons from seeking assistance.

Congress responded to criticisms about the State and local programs by passing legislation in 1972 which created the SSI program.<sup>2</sup> The objective of the program was to replace the 1300 State and local programs with a nationally uniform program of basic support to needy persons who are aged, blind and disabled.

In providing a program with national uniform eligibility standards and payment levels, Congress specifically intended that SSI would provide:

- An income floor for aged, blind, or disabled persons whose income and resources were below specified levels and which would lift them out of poverty;
- Eligibility requirements and benefit standards that were nationally uniform;
- Incentives and opportunities for those recipients able to work or to be rehabilitated which would enable them to increase their independence;
- An efficient and economical method of providing this assistance;
- Inducements to encourage States to provide supplementation of the basic federal benefit;
- Appropriate coordination of the SSI program with the Title II Social Security programs, Medical Assistance and food programs.<sup>3</sup>

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<sup>1</sup>Trout and Mattson, *A 10-Year Review of the Supplemental Security Income Program*, 47 Soc. Sec. Bull. 3 (Jan. 1984) (hereinafter "10-Year Review of SSI").

<sup>2</sup>Social Security Amendments of 1972, Pub. L. No. 92-603.

<sup>3</sup>SSI Modernization Project, *Final Report of the Experts*, at 5 (Aug. 1992); *10-Year Review of SSI* at 3-4.

## II. THE NEED FOR THE PROGRAM STILL EXISTS AS THE NUMBER OF POOR PERSONS CONTINUES TO INCREASE

While SSI has helped to alleviate the most severe effects of poverty, it does not lift eligible individuals from poverty. While originally intended to reach the poverty line, SSI payments have never risen to that level: the current benefit level represents only 75% of the poverty line for an individual and 90% for a couple.

After many years of a dramatic decline in the poverty rate among elderly persons<sup>4</sup> in this country, thanks in large part to federal programs like Social Security, the problem appears to be on the increase. Recent Census Bureau data indicate that the number of elderly persons who are poor has steadily grown over the past few years. In 1992, about 4 million elderly persons, 12.9% of the elderly population, lived in poverty.<sup>5</sup>

According to the General Accounting Office (GAO), this figure may in fact underestimate the magnitude of poverty among elderly persons. A 1992 report by the GAO, *Elderly Americans: Health, Housing, and Nutrition Gaps Between the Poor and Nonpoor*,<sup>6</sup> studied the size and characteristics of the poor and near poor elderly population and the extent to which poor elderly persons receive services from principal federal programs, including SSI. Relying on 1990 Census Bureau data, this report starkly portrays that certain groups of elderly Americans have not benefitted from the general economic improvements experienced by the elderly population as a whole:

- ▶ Elderly women were nearly twice as likely as elderly men to be poor or near poor.
- ▶ Elderly Hispanics were twice and elderly Blacks three times as likely as elderly Whites to be poor or near poor.
- ▶ Persons over the age of 75 were almost twice as likely as persons between 65 and 74 to be poor or near poor.
- ▶ The additive effect of sex, race, and age was dramatic: More than half of all Black women over the age of 75 were poor or near poor in 1990.<sup>7</sup>

Unfortunately, the GAO's findings remain valid. The more current Census Bureau data shows that:

- ▶ One of the largest declines in income occurred in the oldest age group, 75 years and over.
- ▶ Women aged 65 to 74 experienced larger declines in income than men of that age.

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<sup>4</sup>"Elderly persons" refers to individuals who are aged 65 or older.

<sup>5</sup>Unless otherwise indicated, the source for statistics from the U.S. Bureau of Census is the March 1993 Current Population Survey regarding data on income of households in the United States for calendar year 1992.

<sup>6</sup>GAO/PEMD-92-29, June 1992, p.2 ("GAO Report").

<sup>7</sup>GAO Report at 2.

- ▶ The Black elderly population is still more than three times and the Hispanic elderly population is twice as likely to be poor as the White elderly population.
- ▶ Black elderly women remain among the most vulnerable groups in our population. They were more likely to live in poverty than any other segment of the elderly population, nearly 38%.

The need for SSI becomes even more pronounced in more closely scrutinizing the Social Security retirement benefits program. While there is general agreement that the latter program has prevented many elderly persons from being poor, the data indicates that women do not benefit as much as men.

For instance, women generally have lower primary insurance amounts (PIAs) than men, only about 76% of that for retired men.<sup>8</sup> In fact, nearly three times as many women as men had PIAs below \$450.00, an amount that, in the absence of other income, would qualify the individual for an SSI payment.<sup>9</sup> This figure is even more significant since more women than men rely on Social Security income for a higher percentage of their income.<sup>10</sup>

Despite the increasing need for the SSI program, studies have consistently shown that the participation rate in SSI by eligible elderly persons remains low. The statistics themselves indicate that a gap exists between those in need of the program and those who actually receive SSI: while 4 million elderly persons live in poverty, only about 2 million receive SSI. Further, in contrast to the 89% of poor households in which all members were 65 or over and received Social Security benefits, only 28% of poor elderly persons lived in households receiving means-tested cash assistance, primarily SSI.<sup>11</sup>

Other studies indicate that only about 50% of elderly eligible persons receive SSI. Participation rates vary greatly depending on living arrangement and by age, gender, and race<sup>12</sup>:

- ▶ Only 30% of eligible couples (vs. 66% of eligible individuals) participate.
- ▶ Only 48% of eligible persons receiving Social Security benefits participate.
- ▶ Participation among eligible women is lower than among eligible men (53% vs. 57%).

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<sup>8</sup>The average PIA for women was \$580.70 and \$759.20 for men. *Social Security Bull. Annual Statistical Supp. 1994* at 183-84 (Aug. 1994).

<sup>9</sup>13.7% of men and 36% of women had PIAs below \$450 in December 1993. *Social Security Bull. Annual Statistical Supp. 1994* at 212.

<sup>10</sup>In 1990, for retired men, the ratio of social security income to total income was 0.46, compared with a ratio of 0.55 for retired women. *Social Security Bull. Annual Statistical Supp. 1992* at 186 (Jan. 1993).

<sup>11</sup>GAO Report at 7, 40.

<sup>12</sup>See Sheils, Barnow, Chaurette, Constantine, *Elderly Persons Eligible for Participating in the Supplemental Security Income (SSI) Program* (U.S. Dept. of HHS, Contract No. HHS-1---86-0051, Final Report, Jan. 1990).

- ▶ Participation among eligible persons age 65 through 69 remains lower (48%) than for persons age 70 to 79 (57%), but declines again for persons age 80 or more (55%).

### III. SSI BENEFITS PARTICULAR VULNERABLE GROUPS, SUCH AS POOR WOMEN AND OLDER PERSONS.

Attached to this statement is "A Profile of the SSI Program" which is based on Social Security Administration statistics. The conclusion to be drawn from the profile is that the SSI program has served to alleviate the poverty of elderly persons and other vulnerable groups. As indicated by the following highlights, there can be no doubt that their poverty rate would be higher if they did not receive SSI:

- **For many recipients, SSI serves to supplement other income they receive.**
  - Over 64% of SSI recipients age 65 years or more also receive Social Security retirement benefits. Overall, almost 40% of all SSI recipients, receive Social Security benefits in addition to their SSI.<sup>13</sup> Elderly women, in particular, profit from eligibility for SSI to supplement Social Security retirement benefits, given their lower benefit amounts and greater reliance on Social Security.
- ▶ **Women comprise nearly 78% of aged SSI recipients.**
  - Women also comprise 56.4% of blind recipients and 55% of disabled recipients
- ▶ **79% of aged SSI recipients are 70 years old or more.**
  - 54.3% are age 75 or older, and 35% are age 80 or older.
- **It is more likely that women will rely on SSI at an earlier age.**
  - Starting at age 50, more women than men receive SSI benefits based on disability. Poor women, in particular, Black women, are more likely to suffer from poorer health, including chronic conditions such as arthritis and hypertension which impose functional limitations.<sup>14</sup>

### IV. CONCLUSION

The overwhelming evidence indicates that the SSI program has kept many poor aged, blind, and disabled persons from destitution. The 1972 legislation passed by Congress recognized the inequities in many of the 1300 State and local programs in existence at the time, and thus rejected the "matching grant" approach. It replaced the 1300 disparate programs with a single federal program establishing nationally uniform eligibility requirements and payment levels.

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<sup>13</sup>The SSI benefit amount is reduced by other income received by the recipient. These individuals are eligible to receive enough SSI to at least bring them up to the SSI federal benefit rate (plus a \$20 general income disregard).

<sup>14</sup>Cynthia Taeuber, *Sixty-Five Plus in America* at 3-11 to 3-15 (U.S. Bureau of the Census, Current Population Reports, Special Studies, P23-178, Aug. 1992)

We urge this Congress not to return to the situation which existed prior to 1972 and to maintain the purpose behind the original legislation creating the SSI program, including preservation of SSI as an entitlement program and not imposing a spending cap. In scrutinizing problems in the program, the Congress should find solution to those specific problems which do not change the fundamental nature of the SSI program.

## **A PROFILE OF THE SSI PROGRAM**

### ***What is SSI?***

Supplemental Security Income or "SSI" is a federal program providing income assistance to poor individuals who are age 65 or older, blind, or disabled, and who meet income and resource requirements. SSI was created in 1972 to provide uniform national standards and to replace individual state programs providing disparate assistance to aged, blind, and disabled persons. SSI is administered by the Social Security Administration.

### ***Who receives SSI?***

In 1994, over 6 million poor elderly, disabled and blind persons received SSI:

- ♦ 35% were aged 65 or older
- ♦ 52% were blind or disabled adults under 65
- ♦ 13% were blind or disabled children

About 11% of recipients are legal aliens. SSI benefits are not available to individuals who are illegal aliens.

### ***How much SSI is received?***

In 1995, the maximum federal SSI benefit is \$458 for an individual and \$687 for a couple.

Although SSI helps to significantly reduce the effects of poverty, it does not lift eligible individuals from poverty. While originally intended to reach the poverty line, SSI payments have never risen to that level: the current benefit level represents only 75% of the poverty line for an individual and 90% for a couple. To reduce the gap, additional supplements are provided in 27 states and the District of Columbia to certain categories of SSI recipients.

### ***For many recipients, SSI serves to supplement other income they receive.***

The SSI benefit amount is reduced by other income received by the recipient. In June 1994, the average monthly SSI amount was \$321.42 which is less than the full benefit rate.

Nearly one-half of SSI recipients, 48.8%, receive income from other sources, including Social Security benefits, averaging about \$320 per month. They are eligible to receive enough SSI to at least bring them up to the SSI federal benefit rate (plus a \$20 general income disregard).

Almost 40% of all SSI recipients, counting for 2.4 million persons, receive Social Security benefits in addition to their SSI. This includes:

- Over 64% of recipients age 65 years or older, nearly one million persons
- Nearly 37% of blind recipients, over 30,000 persons; and
- Nearly 32% of disabled recipients, about 1.4 million persons

Without SSI, many SSI recipients would fall further into poverty, resulting in homelessness and institutionalization, and the inability to purchase basic necessities, since the vast majority, 92.5%, live in their own household.



***Particular vulnerable groups, such as poor women and older persons, benefit from the SSI program.***

Women comprise nearly 60% of SSI recipients:

- 73.8% of aged recipients
- 56.4% of blind recipients
- 55% of disabled recipients

SSI provides valuable assistance to older individuals:

- The vast majority of aged SSI recipients, 79%, are age 70 or older. 54.3% are age 75 or older, and 35% are age 80 or older.
- About 45% of disabled recipients are age 50 or older.
- It is more likely that women will rely on SSI at an earlier age. Starting at age 50, more women than men receive SSI benefits based on disability.

Vulnerable disabled persons are also major beneficiaries of the SSI program:

- 24% of disabled adults, over 500,000 persons, receive SSI benefits based on mental retardation
- Nearly 40% of disabled children, over 280,000, receive SSI based on mental retardation
- Nearly 33% of disabled adults receive SSI based on mental illness. The number of individuals receiving SSI because of substance addiction represents a small fraction of all individuals receiving SSI, between 1% and 2%.

***SSI provides work incentives to recipients.***

The SSI program includes work incentive provisions which are very beneficial to recipients who remain disabled and continue to meet resource limits but are able to work. These programs include:

- Continued eligibility for cash benefits so long as earnings, after appropriate deductions, still permit the person to receive an SSI benefit.
- Extended Medicaid coverage when earned income exceeds the point at which the recipient is eligible for an SSI cash benefit. Continued Medicaid coverage continues so long as disability continues and earnings alone are inadequate to meet medical needs.
- "Plans for Achieving Self-Support" (PASS). Under a PASS, the individual is permitted to take part of his or her income and save it for a specific purpose related to becoming more self-supporting, such as education, vocational training, or some other occupational purpose. The amount that is saved is not treated as "income" or as a "resource" for SSI purposes long as it is being saved for the purpose of the PASS.

*The sources for these statistics are:*

1. *Social Security Bulletin, Annual Statistical Supplement, 1994.*
2. *Social Security Bulletin, Vol. 57, No. 3, Fall 1994*

Ms. DUNN. Thank you, Ms. Zelenske.

We have been notified that we have a vote, but we would like to take testimony from one more person and then break, and we will convene as soon as we get back from the vote.

So we would like to hear now from William Parshall.

**STATEMENT OF WILLIAM E. PARSHALL, DEPUTY MANAGING DIRECTOR, SPECIAL NEEDS HOUSING, CITY OF PHILADELPHIA, PENNSYLVANIA**

Mr. PARSHALL. Thank you. Good afternoon. My name is William Parshall. I am Deputy Managing Director for the city of Philadelphia. In this role, I coordinate the city's homeless programs and more recently have coordinated the city's response to welfare cuts enacted by our State legislature.

I am going to focus my remarks today on the impact of welfare reform on large cities. And if I may leave you with one point today, it is that cities must have a seat at the table when welfare reform is being drafted by the States or waivers are being asked from the Federal Government. Except for recipients, no other constituency has as much interest in what happens to welfare reform than mayors of large cities.

In Philadelphia, 15 percent of our population is on AFDC; 25 percent are on some form of cash assistance, and fully one-third of Philadelphia's population receives medical assistance.

The value of SSI, AFDC, and food stamps together account for \$1 billion in Philadelphia, and Philadelphia and Pittsburgh, Pennsylvania's two largest cities, account for approximately half of the State's AFDC caseload.

Does that mean that large cities will necessarily oppose welfare reform? Of course not. Long-term dependency on public assistance represents a drain on our tax base; it represents a drain in terms of our local labor markets; and we, as a city government, invest significant resources in providing care for the poor, child welfare services, and other forms of assistance.

However, an inadequate Federal welfare reform bill or an inadequate State plan that does not provide for incentives to hire persons who are on public assistance, child care, and some provision for continuing medical coverage will, in effect, be an unfunded mandate, and the cost of that unfunded mandate will fall upon local government, local taxpayers, and the local business community.

A case in point: Last June, the Pennsylvania General Assembly enacted a bill sharply reducing benefits for 15,000 Philadelphia citizens. In the State's estimation, these persons were employable and would have had their benefits terminated in 3 months. Most would receive either job placement services or only 3 to 4 weeks of job counseling. There was only provision for 6 months of job training for 800 of the 15,000 persons receiving termination letters.

A coalition of advocacy groups, and service providers and the city of Philadelphia worked to educate the State about the nature of the population that they were terminating. Many were about to be terminated based on computer search records as opposed to actual individual case reviews.

The result has been that many of the people who originally were scheduled to be terminated were found to have long-term physical and emotional disabilities. And despite the services that the State promised to provide, only 400 of the some 5,000 people who have been terminated have actually found employment.

The city of Philadelphia, as a consequence of this, has had to set aside \$8 million to pay for additional shelter, rental assistance, and food costs for persons who are going to slip through the safety net. Of the \$8 million, \$3 million is local general fund revenues. This is money that could have gone to police, fire fighting, or to increase other municipal services.

Without that input, I fear that welfare reform is going to be doomed to failure in States, and consequently we would urge that the Committee include some provision that mayors of large cities have significant input into whatever welfare reform proposals are adopted.

Thank you.

[The prepared statement follows:]

**Testimony of William E. Parshall  
Deputy Managing Director for Special Needs Housing, City of Philadelphia  
Before the Ways and Means Committee, U. S. House of Representatives  
February 2, 1995**

My name is William E. Parshall. I am Deputy Managing Director for Special Needs Housing for the City of Philadelphia. In that capacity, I direct the City's homeless service policies. I am also responsible for coordinating the implementation of the City's response to state welfare cuts to single adults aged 45 and above.

Let me say from the outset that this country's welfare service system needs reform. The present system consists of a confusing array of programs, regulations and prohibitions. It contains inadequate work incentives and, beyond financial assistance, does little to assist most recipients in achieving self-sufficiency.

Yet, changing the present welfare system will have enormous impact upon recipients, government, taxpayers and a ruinous one for cities if it is not carefully considered.

If I can leave you with one thought today, it is that large cities must have a seat at the table when welfare reform plans are drafted. Federal legislation should contain provisions requiring states to include mayors of large cities in the redesign of their welfare programs. The U. S. Secretary of Health and Human Services should be instructed not to allow waivers for states which have not thoroughly allowed urban centers to have such input.

**Impact of Welfare Reform on Philadelphia**

The value of AFDC, SSI payments and food stamp vouchers in Philadelphia is over \$1 billion/year. If one incorporates the state supplement to SSI, the value of medical assistance, the earned income tax credit, state-funded General Assistance and other programs, the welfare system pumps over \$3 billion a year into Philadelphia's economy.

Philadelphia's wage tax base is about \$24 billion annually. So the \$3 billion spent on cash and services to Philadelphia's poor has a considerable impact on the City's economy. Many of Philadelphia's neighborhood commercial areas rely upon the cash generated by public assistance programs. An abrupt curtailment of benefits, even for 10% of the AFDC population, would have serious consequences for neighborhood business as well as for the recipients.

The City is concerned about the impact of the two-year limit on benefits and the five-year maximum cap. "Two years and out" sounds desirable, but the real question is, "out to what"? For the Commonwealth of Pennsylvania, 48.9% of all AFDC clients currently receiving assistance have been receiving assistance for more than two years; 22.9% of the population have been receiving AFDC benefits for more than five years. If the two-year cutoff were applied effective October 1, 1995, approximately 35,000 adults and 70,000 children in Philadelphia would lose their assistance for whatever time period had to transpire until they were eligible for benefits again. Some would obtain employment, some would move in with friends or relatives, but many would become homeless.

If the five-year lifetime maximum were applied effective October 1, 1995, approximately 16,500 adults and 33,000 children in Philadelphia would lose their benefits with no chance of ever having them restored. For Philadelphia's economy to absorb 16,500 low-skill adults at one time is virtually impossible.

Even without welfare benefit cuts, family homelessness has been the fastest increasing segment of the homeless population in Philadelphia. During January 1993, the average family census in the City-funded shelter system was 1,200 or approximately 45% of our shelter beds. For the past year, it has been consistently over 1,400 or 60% of our shelter bed system. There has been an 18% increase in demand for shelter between fiscal years 1993 and 1994. Some of the increase has been due to the

success the City and the Philadelphia Housing Authority have had in creating new rental units for families. However, the increase has been due in part to the desperate situation in which families find themselves.

Even if only 10% of the 16,500 households who have been on AFDC for five years or more found their way to the city shelter system, it would require another 5,000 beds above and beyond the 1,400 the City now funds. The aggregate cost of providing food, shelter, intake and case management services to families is a minimum of \$17/day per person. Annualized, 5,000 more beds would mean an increased cost to the City and local taxpayers of \$31 million in shelter costs alone.

Furthermore, without rental assistance, cash benefits or the prospects of a job, shelter stays for these families might be measured in years instead of months. This would become a crippling burden to the city, its taxpayers and its local business community.

One of the most serious concerns the City has with the Personal Responsibility Act is the linking of welfare reform with a spending cap of cash assistance, rental assistance and support service programs.

Congress should be appropriately concerned with both issues. However, it is likely that, in the short-term, moving large numbers of families from welfare to work will incur significant short-run costs. Child care, supported work, tax credits to employers and other associated costs will be necessary to move large numbers of persons off welfare into work. However, within several years the benefits associated with this should exceed the costs ... cash assistance will decrease, wage and tax bases will grow and the culture of dependency will weaken. To link spending caps with welfare reform is likely to doom welfare reform.

High concentrations of poverty in cities, neighborhood businesses dependent on the welfare economy, homelessness and higher costs to cities ... thus far, the presentation has painted a negative picture of welfare reform.

Does this mean that large cities like Philadelphia should oppose the Personal Responsibility Act, President Clinton's welfare reform proposals or other proposals? Absolutely not! Besides recipients themselves, no single constituency has more of a vested interest in alleviating poverty than mayors of large cities.

In the long run, no city can be successful if 25% of its population is dependent upon some form of cash assistance or one-third depending on Medicaid. AFDC and General Assistance payments do not keep up with the cost of living, thus encouraging crime or the development of an underground economy, further weakening the tax base.

The Rendell Administration firmly believes that cities can no longer rely upon increased federal aid to bail us out of our problems. It will not. Consequently, Philadelphia has been taking the following steps to rebuild its economic base and to promote self-sufficiency for low-income residents.

#### **Welfare to Work: What Philadelphia Can Do**

First and foremost, in January 1994 Mayor Rendell proposed a \$2.2 billion economic stimulus program to stabilize and grow the City's wage and tax base. The stimulus program consists of four major related efforts to spark Philadelphia's economy: Neighborhood Development, Hospitality and Tourism, Business Retention and Defense Conversion.

To fund the stimulus program, the City will allocate \$866 million in city-controlled resources, obtain nearly \$640 million in federal, state and Delaware River Port Authority funds and leverage these funds to attract another \$700 million of private investment between now and the end of 1996.

- \$755 million of these funds are targeted to neighborhoods. For neighborhoods to attract business growth and investment, they must be relieved of blight and maintain a stable core of housing. The award of a \$100 million federal empowerment zone to Philadelphia and Camden, New Jersey, will foster neighborhood redevelopment in three sections of Philadelphia.

- The additional jobs created through the development of a vibrant hospitality and tourism sector should employ a significant number of low-income persons long-term in hotels, restaurants, parking garages and ancillary enterprises.
- The effectiveness of the business retention efforts will help maintain those jobs which Philadelphia has now, including low-skill jobs in the manufacturing sector.
- Defense conversion will replace jobs associated with the defense industry with new enterprises.

The second thing which Philadelphia has done to help itself is to better coordinate the use of its own, state and federal resources to fight poverty and to deliver services

My colleague, Joan Reeves, Commissioner of Human Services, has done an outstanding job working with the state government to eliminate the unfair cost burden placed on the city when the state consistently failed to pay its share of child welfare costs. The result has been better service.

Other steps have been taken to coordinate the City's social spending.

- The creation of a Children and Families Cabinet will assist in coordinating city and private resources behind efforts to preserve and reunite families.
- The creation of a Homeless Services Cabinet and a homeless services coordinator has facilitated cooperation between and among city agencies.
- The Mayor, President of City Council and the City's Director of Housing now comprise three of the five members of the Philadelphia Housing Authority board. Housing Authority policies are now coordinated with City housing policies.

Finally, the City has begun to invest City resources in job training for residents of the City's shelter system. Prior to FY 1995, job training was the responsibility of the Philadelphia Private Industry Council, County Assistance Offices and non-profit providers who were serving not only homeless but ex-convicts and other persons on welfare. Over the next three years, a minimum of \$2.3 million will be invested in providing jobs to homeless persons living in shelters.

These steps represent the City of Philadelphia's efforts to revitalize neighborhood economies, improve the delivery of our services and get people off of welfare.

### Recommendations

In the final analysis, the City of Philadelphia must have a seat at the table when welfare reform is drafted in Pennsylvania. States cannot be entrusted to develop welfare reform policies which are sensitive to cities' needs. A case in point was Philadelphia's experience with state-passed changes in the General Assistance program. Enacted in June 1994, the Department of Public Welfare proposed cutting 15,200 Philadelphia General Assistance recipients over the age of 45 from welfare by the end of October 1994 on the presumption that most were employable.

The City, service providers and advocates recognized that many of these individuals had serious emotional, physical and skills limitations which prevented them from obtaining jobs. Despite \$7-8 million in job training funds set aside by the state, only 361 of these individuals obtained jobs by mid-December. Another 1,000 were enrolled in training programs.

Fortunately for everyone concerned, an outreach/education effort was mounted by the City, advocates and service providers and, as a result, only 5,500 will lose benefits, a much smaller number than 15,200. The City has crafted an \$8.1 million safety net program to prevent the remaining persons who have not found jobs from becoming homeless. Ultimately, the City will be helping the State find employment for the remainder of the population.

In the final analysis, cities need welfare reform to incorporate the following provisions:

1. Meaningful input into the development of state welfare reform plans.
2. The U. S. Secretary of Health and Human Services should not grant waivers or approval of a state plan unless large cities have been consulted and involved in the development of the plan.

Ultimately, large cities have more at stake than other jurisdictions. Without adequate assistance, welfare reform becomes an exercise in cost shifting: the federal government onto states and states onto local government, private charities and welfare recipients themselves.

Thank you for the opportunity to share our views on welfare reform.

Ms. DUNN. Thank you, Mr. Parshall.

And with the panel's indulgence, we will recess for 15 minutes. We will see you back here at 3:45.

[Recess.]

Mr. MCCRERY [presiding]. If anyone knows where any of the witnesses are, could they go get them and bring them back.

[Pause.]

Mr. MCCRERY. Forgive me. I was voting and rushing to get back here, but I missed Ms. Dunn.

Do you know if Mr. Parshall had testified already, Mr. MacAllister?

Mr. MACALLISTER. Yes, he had.

Mr. MCCRERY. And were you about to testify?

Mr. MACALLISTER. Yes, I was.

Mr. MCCRERY. If you do not mind, I will bring the Committee to order, and we will resume with Mr. MacAllister. Take your seat. Thank you. Please proceed.

#### **STATEMENT OF DON MacALLISTER, FOUNDER, AMERICA WORKS, ORANGE COUNTY, CALIFORNIA**

Mr. MACALLISTER. Thank you. My name is Don MacAllister, and I am the founder and the president of Orange County, California WORKS, and I am here today to speak to you on behalf of the Nation's 490,000 children who are already in foster homes.

The main point I want to make is that foster care is very tough and overburdened and completely inappropriate for children of poor families. Tripling the foster care system and calling that welfare reform is a contradiction. The kids we put in foster care today will only be on welfare tomorrow.

Job training programs like that of Cleveland WORKS are cheaper, more effective, and completely doable, for job training is no secret. The program is not magic. You heard from David Roth earlier; our program has been affected by his program. We use the example of his process and an organization by the name of Washington WORKS. They are taking welfare parents off of welfare, putting them into jobs with health care. And that is what we are trying to get to as the solution. They have a tremendous retention rate of about 80 to 90 percent, and the families are staying together and out of foster care.

When I was in foster care, children around me commonly on a daily basis discussed being abused and sexually assaulted. But the worst thing I saw were tormented, lonely, confused children and the overworked, poorly trained staffs. Those staffs were our adult role models.

Foster care can be a good experience for some, but a life altering, fearful, lonely experience for most. The system works well for the children who need a stable environment during a temporary crisis that requires their removal from their homes. But for other children, foster care becomes a series of relocations as they are moved from home to home with no sense of permanency. Their education is disrupted, inadequate health care, and no work experience.

It is hardly adequate for children who were taken from their families because of abuse and neglect, and it is completely inappro-



priate for children of poor families to be put in with kids who are in foster care because they were abused or neglected.

Healthy families are the best place for children. When children are taken away from their birth parents, most of the kids experience a lot of severe emotional, psychological, and behavioral problems. To then place that child in an overburdened program like the child welfare system is undeniably a formula for loneliness, confusion, and lifelong problems.

It is especially harder on a child taken from their parents when there has been no abuse or neglect. Being with a parent on welfare, who has a chance at job training, is better than living in the best foster care or group home available.

Aside from the devastation to the child, the child welfare system cannot keep up with the increasing number of truly abused and neglected children as it is. Resources are unavailable for the possible influx of additional millions of children that could result from the PRA.

If the PRA were fully in effect today, 5 to 6 million children would be denied AFDC assistance. If only one-fifth of these children enter the child welfare system, the Nation's child welfare caseload would triple.

This influx of children will further overwhelm the system, undermine its ability to protect the kids, and leave many of those kids in jeopardy of truly menacing parents. Block grants would not provide enough financial assistance to remedy the situation. Furthermore, it is just plain wrong to put children into foster care because their parents have no means of getting a job or have not been given a shot at job training.

It does not make financial sense either. Foster home and group home care cost ten times more than AFDC and food stamps combined. Moving children from poor families to foster care or group homes will cost taxpayers more money than providing job training, placement, and retention programs or continued AFDC for their families.

AFDC and food stamps for a parent and two children cost \$7,900 a year. Basic foster care or group home care for the same two children will cost approximately \$73,000 a year.

We should not cut off all financial assistance to a family with no other means of financial support and at the same time prevent the breakup of the family. You will essentially be giving the parents the choice of surrendering their children or watching them starve.

Instead of issuing block grants for States to increase their child care system, let us consider backing the teenage mothers and the parents on welfare and their children by providing a job training opportunity in a program such as Cleveland WORKS, which has been proven effective in taking these people away from dependency. Cleveland WORKS of Ohio again has taken 5,000 people off of welfare and put them into full-time jobs with health benefits. The program has an 80-percent retention rate. Additionally, in Seattle the Washington WORKS Program is taking mothers off of welfare and placing them in jobs, and they are sticking in those jobs.

We know it can be done. We are seeing it every day. We can learn from the people who have been on welfare and then become

independent. They know the barriers to independence. Virtually all AFDC parents want to get off welfare.

I would like to conclude by saying that foster care is a very horrible place to grow up. I speak from experience. I was in there 6 years of my childhood. It is overburdened and completely inappropriate for children of poor families. Job training is no secret; the program is not magic. We can use the example of Cleveland WORKS and Washington WORKS. They are taking welfare parents off welfare, putting them into jobs with health care, with tremendous retention.

[The prepared statement follows:]

## STATEMENT OF DON MacALLISTER

Good afternoon Ladies and Gentleman. My name is Don MacAllister and I am honored to share my testimony with you on behalf of the over 490,000 children in foster care today (CWLA).

I have a unique perception on this issue of welfare reform and the possibility of children going into foster care, as a result. I spent 5 years of my life in foster care, 1 year homeless following my emancipation from the system and 6 months after that on welfare. I have direct experience with the barriers to independence that both programs can present. At 31, I am the Founder and President of Orange County, California, America WORKS. A nonprofit, privately funded organization in California that provides life management, job training, placement, and retention programs to young adults, ages 16 to 21, from foster care.

I am here today for three reasons. One, I do not believe in welfare reform that will rewrite the new qualifications for foster care to include poverty. We can not allow one child to be taken from their family and put into foster care simply because the family was poor. Two, I believe in welfare reform. Welfare reform that limits the amount of time a person can receive welfare and one that includes job training, placement and retention programs for the parents; including teenage mothers. Three, as an American its my duty and desire to help my elected Congressmen make the best decision for our children and our country. I want to share my life experiences with you so that we can initiate a common sense, inexpensive, long term approach to welfare reform.

When I was in foster care, children around me commonly discussed being whipped with electrical cords, beaten until they couldn't stand, or being raped. That is pretty tough. But the worst thing I saw were tormented, lonely, confused children and overworked, poorly trained staff - our adult role models. Foster care can be a good experience for some, but a life altering, fearful, lonely experience for many. The system works well for the children in need of a stable environment, during a temporary crisis that requires their removal from their homes. But for other children, foster care becomes a series of relocations, as they are moved from home to home, with no sense or permanency, disrupted education, inadequate health care, and no work experience (Child Abuse and Child Welfare Services). It is hardly adequate for children who were taken from their families because of abuse and neglect. It is completely inappropriate for children of poor families.

Healthy families are the best place for children. When children are taken away from their birth parents most experience severe emotional, psychological and behavioral problems (CWLA). To than place that child in an overburdened program like the child welfare system is undeniably a formula for loneliness, confusion and life long problems. It's especially harder on a child taken from their parents when there has been no abuse or neglect. Even child welfare experts recognize that foster care is the wrong place for children who have loving parents capable of caring for them (CWLA). Being with a parent on welfare who has a chance at job training is better than living in the best foster care or group home available.

Aside from the devastation to the child, the child-welfare system simply can't keep up with the increasing number of truly abused and neglected children. Resources are unavailable for the possible influx of additional millions of children that could result from this welfare reform (CWLA). If the Personal Responsibility Act were fully in effect today, 5 to 6 million children would be denied AFDC assistance (CWLA). If only one-fifth of these children enter the child welfare system, the nation's child welfare case load would triple (CWLA). This influx of children will further overwhelm the child welfare system, undermine its ability to protect children, and leave many children in jeopardy of truly menacing parents. Block grants would not provide enough financial assistance to remedy the situation. And it is just plain wrong to put children into foster care because their parents have no means of getting a job with health benefits.

The PRA will result in millions of children being candidates for foster care. There are strong legal objections to deeming children "neglected" due to loss of AFDC benefits. Removing children from their homes; without evidence of abuse or neglect, and placing them in foster/group home care is contrary to the legislative history of the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) (CWLA). The family unit is of fundamental importance for the poor as well as the rich. Current federal welfare laws require the state to protect and promote the welfare of "all children, and to prevent the "breakup of the family" where possible, even homeless families (Adoption Assistance and Child Welfare Act, Public Law No. 96-272 (1980)).

Aside from the obvious emotional turmoil and devastation to our children and the already over burdened child care system, this does not make financial sense. Foster/Group home care will cost 10 times more than AFDC and Food Stamps combined (CWLA). Moving children from poor families to foster care or group homes will cost the taxpayers more money then providing job training, placement and retention programs or continued AFDC for their families.

AFDC and Food Stamps for a parent and two children costs \$7,932 a year (CWLA). Basic foster or group home care for the same two children will cost approximately \$73,000 a year (CWLA).

We cannot cut off all financial assistance to a family with no other means of financial support and at the same time prevent the break up of the family. You will essentially be giving the parents the choice of surrendering their children or watching them starve. Instead of issuing block grants for states to increase their child care system, lets back our teenage and adult parents on welfare and their children by providing a job training program that is cheaper and more effective. If parents disregard an opportunity at job training, then we support the parent being cut off welfare and their child becoming a candidate for foster care.

Cleveland WORKS of Cleveland Ohio has taken 5,000 parents off of welfare and put them into full time jobs with health benefits. Their program has an 80% retention rate. Additionally, Washington WORKS of Seattle, Washington is taking mothers only off of welfare and putting them into full-time jobs with health benefits as well. They have a 90% retention rate. I know it can be done. We can learn from the people who are already initiating their own welfare reform. Through these programs, parents are getting off of welfare and into jobs with health benefits . . . . and their staying there. They are providing for their families and their families are staying together.

Studies show that virtually all AFDC parents will do whatever it takes to improve the lives of their children. 83% of AFDC recipients reported that they would leave welfare immediately even for a minimum wage job if it provided health care for their family (CWLA). But, only 8% are actually able to leave welfare and find work with health insurance. The obstacle to independence is not lazy Americans but instead the lack of a good program that will teach the parent how to get a job with health benefits and retain it.

Through a program like Cleveland WORKS, it will cost \$5,000 to provide job training, placement, retention services and child care to one parent with 2 kids versus the cost of \$73,000 a year to take that parent off welfare and ultimately put their children into group homes. The benefits of keeping an American family together, while providing job training that can last a lifetime, is undeniably an effective, inexpensive and common sense approach to welfare reform.

The biggest reason why I am here today is because of my experiences. Orange County, California, America WORKS exists because of my not-so-good experience in foster care and my realization that it wasn't a unique one. 80% of the young adults emancipated from foster care struggle with the same barriers to independence as I did.

At 18, my social worker took me to a Greyhound bus station and dropped me off. I had \$85, no identification no support and no skills to find independence on my own. Imagine - you're 18 years old and you are abruptly released out on to the sidewalk with no where to live and no support. You have been living for years in an institutional setting that breeds dependence. Other people do your laundry, your shopping, and your cooking. You're told when to eat, sleep and go to the bathroom. As late as high school, you're not allowed out of the front yard unless accompanied by an adult. You're not allowed to manage your own bank account. Then you are suddenly released on the street and told to take care of yourself. When I was released that first day, I had no idea how to get a job, feel out an application, save money, manage my life and, often, act responsibly towards myself and others. Unfortunately neither do 80% of the other young adults released from foster care. As a result, when these young adults reach their 18th birthday they are at very high risk of unemployment, welfare, homelessness, and prison. If they last that long. Some can be so distraught that they runaway way before their 18th birthday and live on the streets instead. Children without families account for 30% of the homeless population (A Status Report of Hunger and Homelessness in America's Cities: 1993)

Most of the kids in my program are in a crises situation because foster care failed to prepare them for life. 3/4 of the young adults in foster care leave without a high school diploma (National Association of Social Workers), 80% go directly to a homeless shelter (America WORKS). Many spend their first night after foster care on the streets because they have no where else to go (Barden, When Foster Care Ends, Home is Often The Street, N.Y. Times, January 6, 1991). The only choices for many are homelessness, crime or welfare. Welfare is often their best option. A welfare reform that sends our children to foster care is not a true welfare reform at all. Those kids only end up unprepared at 18 and the one of the first things they do is apply for welfare. I am working right now on getting these kids a success box on their 18th birthday. A Success Box contains the basic necessities of life: sleeping bag, pillow, cutlery, personal hygiene items, toiletries. But most importantly, it will contain up to 6 months of voice mail, PO Box and Bus Pass vouchers to enable these young adults to complete an application and get a job when they turn 18. But, I am barely able to find the private funding for this. How will I be able to do it in 10 years when the foster care population has doubled or tripled and the youth are more troubled because they were taken from families where there was no abuse or neglect. Without programs such as the success box program and Cleveland Works, today's foster kids are tomorrow's welfare recipients.

American families are healthier together. Children are happier and best adjusted when they are raised by their natural parents. Foster care and group homes are no place for our children. It's a 50/50 chance on whether they'll get the education they crave and the life skills they need to become independent at 18. The child care system is already overburdened. It's too expensive and morally wrong to put our children into foster care or group homes. We need to set our teenage and adult parents up for success. We need to provide job training programs that mimic Cleveland and Washington Works. Let's keep our children with their parents where they have a chance at a happier life with the people who will love them forever and truly prepare them for independence.

If you can't relate to an overburdened child care system, figures that show job training programs are phenomenally cheaper and will save us more money than increasing our foster care, a child's feelings when he or she is taken from their home and their parents, than remember that 40% of the children we put into foster care today will be on welfare tomorrow. True welfare reform does not include denying teenage mothers welfare and a chance at job training, denying their unborn children the right to any assistance at any time in their lives or denying adult parents effective job training. It especially does not include putting our children into systems that can not love them and prepare them for independence - for life.

Thank you for your time and interest in my testimony. I hope we are able to put together a welfare reform that limits time of welfare, provides effective job training to parents, and keeps our families together.

Thank you,

Donald MacAllister

Mr. McCRERY. Thank you.  
 Mr. MACALLISTER. Thank you.  
 Mr. McCRERY. Mr. Friedman.

**STATEMENT OF ROBERT E. FRIEDMAN, CHAIR AND FOUNDER,  
 CORPORATION FOR ENTERPRISE DEVELOPMENT;  
 ACCOMPANIED BY CICERO WILSON, PROJECT DIRECTOR,  
 CORPORATION FOR ENTERPRISE DEVELOPMENT**

Mr. FRIEDMAN. Mr. McCrery, thank you very much and also my thanks to the Members of the Committee for offering me this opportunity to testify.

I am chair and founder of the Corporation for Enterprise Development. My colleagues and I have worked for the last 15 years to look for ways to expand the economy and include within that increased prosperity the people and communities that often get left out.

I want to talk today about the opportunity of welfare reform, the opportunity to use this reform to create hope and jobs and enterprises, to build families and communities and economies, to develop assets and long-term, enduring escapes from poverty.

For 50 years, most of our income maintenance system has been really a consumption maintenance system. It is a sort of, as William Raspberry terms it, economic methadone that mitigates the pain of unemployment and poverty but does not get to the causes.

This welfare reform, it seems to me, offers the opportunity for the first time in this century to include a development component to enable people to enter the mainstream economy as skilled employees and entrepreneurs.

I have three recommendations to that end. First, we must reduce the penalties that confront welfare recipients moving toward economic independence. The greatest tragedy of the current system, I think, is not that it rewards indolence, but that it penalizes effort.

My colleague, Cicero Wilson, often says that the nature of the social contract has been "We will support you as long as you do not seek training, you do not work, and of all things, that you do not create a job for yourself. Do any of those things and we will remove benefits, often quite precipitously."

Section 605 of the Personal Responsibility Act goes a long way to removing the penalties for acquiring assets and for receiving self-employment income. But there are other barriers that it does not address. I list several in my written testimony.

Chief among them is the treatment of earned income. After 4 months, we still reduce grants \$1 for every dollar earned. This, it seems to me, serves no one well. In the majority of States that have now requested waivers to that provision, what we find is rapid increases in the percentage of the caseload reporting earned income and dramatic decreases in average grant levels.

In Iowa where we worked, in the first 9 months alone of reducing those barriers, the percentage of the caseload reporting earned income and working increased 70 percent while average grant levels declined 7 percent.

You will have to balance between devolving authority and power to States and devolving authority and power to welfare recipients

themselves. I would urge you to open earning opportunity to more people.

Second, we must support enterprise. I think most people acknowledge that there are not enough jobs, at least not enough jobs paying sustaining incomes for all the folks that want them. We must do everything we can to support the efforts of low-income people to create jobs for themselves. We are now completing the evaluation of a five State welfare Self Employment Investment Demonstration where we explored the extent to which self-employment could be an escape from poverty.

In brief, we found that the percentage of people primarily relying on AFDC for their income decreased from 74 percent to 26 percent in that program. Self-employment and targeted jobs creation must be a permitted and supported part of any work program.

Finally, we must build assets. People are not going to be able to mount long-term escapes from poverty and not return without building savings. Thomas Jefferson recognized this years ago.

But we have had a bifurcated policy in this country. We subsidize asset acquisition by the nonpoor to the tune of \$160 billion annually through the tax system. We have penalized it for the poor. Both the Personal Responsibility Act and the American Dream Savings Account Act recognize that we must allow the poor to build assets. But neither of them provides the incentives to low-income people that we provide to nonpoor Americans.

Matching the savings of low-income people can yield benefits. A preliminary analysis being completed by my staff shows that for every dollar the government would invest in building individual development accounts for the poor, the Government would receive \$1.33 in benefits; the society would receive \$2 in benefits; and individuals would receive \$5 in benefits. We must invest in people.

Thank you.

[The prepared statement follows:]

Testimony of  
Robert E. Friedman\* and Cicero Wilson\*\*  
Corporation for Enterprise Development\*\*\*  
Before the Subcommittee on Human Resources of the  
Committee on Ways and Means of the  
U.S. House of Representatives

Hearing on Welfare Reform  
February 2, 1995

Mr. Chairman and Members of the Committee:

Thank you very much for the opportunity to testify before you today. Much of the welfare reform debate is depressing and negative—an attempt to root out irresponsibility, misbehavior, fraud, waste and expense. We want to discuss the other side of welfare reform: the opportunity to use this reform to create hope and jobs and enterprises; to build families, communities and economies; to develop assets and enduring escapes from poverty.

For the past fifteen years the Corporation for Enterprise Development (CFED), a national, non-profit economic development policy organization, has been working largely at the state and community level to develop and test effective strategies for creating enterprises, jobs and viable economies in low-income communities. To that end, we sponsored the five-state Self-Employment Investment Demonstration for welfare recipients, and helped create the national microenterprise movement. We have helped a number of states craft overall economic development strategies and welfare reform initiatives, including Iowa's Family Investment Program which has already resulted in a 70% increase in employment and a 7% reduction in average grant levels. Finally, we have been leading advocates for asset-building anti-poverty strategies, and have worked to launch Individual Development Account demonstrations at the community, state and Federal levels.

Ever since the New Deal, which set the framework for the United States transfer payments systems, U.S. anti-poverty efforts have focused on income maintenance and social service provision. The limits of this approach are becoming clear: as William Raspberry put it, the income maintenance system has become a sort of economic methadone which eases the pain of poverty and unemployment but does not address the underlying causes. Worse, if unintentionally, the current system actually penalizes poor families who attempt to move forward through education, work or self-employment.

This welfare reform at the Federal level offers the possibility, for the first time in this century, to add a substantial development component—one designed to encourage, enable and support low-income people moving into the mainstream economy as skilled employees and entrepreneurs.

While there are certainly vast unmet needs for food, shelter, clothes, and the other necessities of life, we are convinced that the economic, social, and political frontier of efforts to combat poverty in this country lies not so much in zero-sum income maintenance and income redistribution, as in positive-sum efforts to increase the ability of poor Americans to compete with success in the world labor market. We must devote our attention to encouraging and enabling low-income Americans to move forward as they see fit—through education, employment, self-employment—to build their economic future and ours. Only by creating viable paths out of poverty for those ready and able to move can we shrink the number of families dependent on public support and increase the adequacy of that support.

This strategy offers to expand the economic pie while including in that greater prosperity people and communities confined to the margins of the mainstream economy. It is an investment strategy designed to yield returns substantially in excess of the initial investment. It coheres with the values of most Americans who believe fundamentally with the proposition that all people deserve a reasonable opportunity to support themselves and their children. It can breed social respect, trust, and cohesion. Perhaps that is why provisions like these are included in most of the proposed reform bills being considered in the Congress, reflecting the broad, bipartisan support they command.

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\* Robert E. Friedman is Chairman and Founder of the Corporation for Enterprise Development, author of the book, *The Safety Net as Ladder: Transfer Payments and Economic Development*, and has spent the last two decades researching, developing, demonstrating and disseminating economic development strategies.

\*\*Cicero Wilson, Project Director with the Corporation for Enterprise Development, formerly headed the Neighborhood Revitalization Program at the American Enterprise Institute, and has run youth programs, small businesses, and evaluated and researched program and policies for Abt Associates.

\*\*\*The Corporation for Enterprise Development is a national non-profit economic development policy research and consulting organization founded in 1979.



If we are to reduce the size (and expense) of the welfare caseload, and, at the same time, reduce the need for welfare (that is, reduce poverty), then we will have to create paths to sustaining private sector jobs. We know that a large—perhaps the largest group of welfare recipients—are not people who rely on welfare briefly and then leave permanently, nor those who remain dependent on welfare for long and continuous spells (<15%), but folks who cycle between welfare and low-wage temporary jobs or training programs which do not lift them out of poverty.<sup>1</sup> Even the most successful welfare reform programs, like the GAIN program in Riverside, California, find that at the end of three years, more than half of recipients are still on welfare and without work, and 80% of program participants are still poor.<sup>2</sup> In many American communities, the jobs needed to lift recipients out of poverty are simply not available in sufficient numbers.

There are three key strategies for opening doors to economic independence to welfare recipients and their families:

- **Reduce the penalties** confronting welfare recipients who try to escape poverty through education, work, self-employment or saving.
- **Encourage enterprise** by including self-employment and targeted enterprise development as eligible and supported activities in any work program.
- **Build Assets** by matching the savings of poor and working poor Americans in Individual Development Accounts used for education, training, home ownership or business capitalization.

#### Devolution and Empowerment

Before reviewing these recommendations, let us comment briefly on devolution and empowerment. As economic development professionals, most of our work over the last two decades has been at the state and community level. That was due, in no small part, to the fact that states and localities were the most willing to move and innovate; for them, business as usual was riskier than the possible failure at trying something new. So innovate they did—pragmatically, conscientiously, within the bounds permitted by the Federal government and their own resources. We therefore come before you with enormous respect for the capacity of states and localities to govern themselves, and a very practical understanding of the harm done by undue restrictions and fragmentation in Federal programs. We believe in devolution of authority and responsibility to the state and local level.

But we also believe that the real devolution and empowerment must accrue to individuals—even low-income people themselves—and their community associations and institutions. How do communities (and the individuals within them) develop? We think John McKnight provides the most succinct and accurate answer:

[E]ven the poorest neighborhood is a place where individuals and organizations represent resources upon which to build. The key to neighborhood regeneration...is to locate all of the available local assets, to begin connecting them with one another in ways that multiply their power and effectiveness, and to begin harnessing those local institutions that are not yet available for local development purposes.<sup>3</sup>

The beginning of development lies with people aspiring to a better life.

"All the historic evidence indicates that significant community development only takes place when local community people are committed to investing themselves and their resources in the effort. This is why you can't develop communities from the top down, or the outside in.

<sup>1</sup> See Mark Greenberg, *Beyond Stereotypes: What State AFDC Studies on Length of Stay Tell Us About Welfare as a "Way of Life"*, Washington, D.C.: Center for Law and Social Policy, July 1993.

<sup>2</sup> James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs and Three-Year Impacts of a Welfare-to-Work Program*, New York: Manpower Demonstration Research Corporation, c. 1994; also Testimony of John W. Wallace before the Subcommittee on Human Resources of the House Ways and Means Committee, August 9, 1994.

<sup>3</sup> John L. McKnight and John P. Kretzmann, *Building Communities from the Inside Out: A Path Toward Finding and Mobilizing a Community's Assets*, Chicago, IL: Northwestern University Center for Urban Affairs, c. 1994, p. 5.

You can, however, provide valuable outside assistance to communities that are actively developing their own assets...Communities have never been built upon their deficiencies. Building community has always depended upon mobilizing the capacities and assets of a people and a place."<sup>4</sup>

"Every single person has capabilities, ability and gifts. Living a good life depends on whether those capacities can be used, abilities expressed and gifts given. If they are, the person will be valued, feel powerful and well-connected to the people around them. And the community around the person will be more powerful because of the contribution the person is making."

"Each time a person uses his or her capacity, the community is stronger and the person is more powerful. That is why strong communities are basically places where the capacities of local residents are identified, valued and used."<sup>5</sup>

"Community development," McKnight notes, is "asset-based, internally-focused and relationship driven:"

- Asset-based: Community development "starts with what is present in the community, the capacities of its residents and workers, the associational and institutional base of the area."<sup>6</sup>
- Internally-focused: "The development strategy focuses first of all upon the agenda building and problem solving capacities of local residents, local associations and local institutions...[T]his...internal focus is not intended to minimize either the role external forces have played...not the need to attract additional resources to these communities...Rather this strong internal focus is intended simply to stress the primacy of local definition, investment, creativity, hope and control."<sup>7</sup>
- Relationship driven: One "of the central challenges for asset-based community developers is to constantly build and rebuild the relationships between and among local residents, local associations, and local institutions."<sup>8</sup>

That is why we believe that welfare reform must empower welfare recipients, their families and communities, even as it imposes the full responsibilities of citizenship upon them.

#### **Recommendation One: Reduce the Penalties**

Perhaps the greatest problem with the current welfare system is not so much that it rewards indolence as that it penalizes effort. Under current law, welfare mothers who save for their (or their childrens') college educations, purchase (or are loaned) business equipment, or simply save for a rainy day, thereby exceed the \$1,000 asset limitation, lose both AFDC and Medicaid eligibility. The effective tax rate on earned income can reach 100% or more, making work uneconomic. And the only kind of car allowed is one that will surely to break down, making steady employment impossible. Medicaid and child care are often denied people pursuing employment and self-employment, and withdrawn too soon to allow for the transition to self-sufficiency.

Welfare reform must address and reduce these sorts of penalties if the energies of recipients are to be unleashed. We must at least allow welfare recipients to move toward full participation in the mainstream economy—as skilled employees, entrepreneurs, savers and investors. That is, we must make work pay.

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<sup>4</sup> John L. McKnight and John P. Kretzmann, "Mapping Community Capacity", Evanston, IL: Center for Urban Affairs and Policy Research, unpublished paper, c. 1992.

<sup>5</sup> *Ibid.*, p. 13.

<sup>6</sup> *Ibid.*, p. 9.

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

Section 605 of H.R. 4, The Personal Responsibility Act (PRA) wisely recognizes the counter productivity of such penalties, and would disregard resources and income designated for education, training, employability and self-employment. More specifically, Section 605 would allow the accumulation of up to \$10,000 in a qualified savings account or a microenterprise, and treat as income only the net profits taken out of a microenterprise. These provisions are important, crucial and commendable. We strongly support them.

There are a few other barriers to pursuing economic independence that should also be reduced:

- **The Automobile Asset Limit:** AFDC recipients are currently allowed to own a car worth \$1,500, that is, one virtually assured to break down. Especially in rural areas where there is little public transportation, this limit means that AFDC recipients cannot reliably reach the job or training program that offers an escape from poverty. At the very least, we should increase the automobile limit in the AFDC program to conform to the Food Stamps Program's \$4,500 market value. As of July of last year, 25 states had requested or been granted waivers to the AFDC automobile asset limits.<sup>9</sup>
- **The Treatment of Earned Income:** After four months, welfare recipients who work find their grant reduced a dollar for every dollar earned (after a work expense disregard). This translates into an implicit tax rate of 100%. When one examines the interaction of AFDC, Food Stamps, Medicaid and Housing subsidies, the effective tax rate can rise to 300%. It is not difficult to understand that such penalties discourage work. It should not be surprising then that a majority of the states (28 as of the middle of last year) had requested or received waivers to disregard a greater share of earned income. Nor should it be surprising that states which have reduced these penalties have experienced substantial increases in the percentage of welfare recipients working and reporting earned income along with significant decreases in average grant levels. Indeed, a number of states which have begun to reduce the penalties for employment and self-employment in many of the ways outlined below have indeed experienced just these effects. Michigan's increase in the work disregard to \$200 and 20% of earnings resulted in an increase in the percentage of the caseload employed from 15.7% in September 1992 to 23.3% by December 1993; Utah's \$100 and 45% disregard increased employment from 18% to 24%; Illinois 2/3 disregard increased percentages by 33%; and Iowa's earnings, assets, and family provisions increased the percentage 69% while reducing grant levels 7% in nine months. While the experience is too young to derive a full cost-benefit for these changes, this early experience at least suggests changes in the expected direction. We strongly recommend that welfare reform legislation reduce the effective tax (the benefit reduction ratio) on earned income by fully disregarding work-related expenses and reducing the welfare grant by no more than 50 cents for each dollar earned.
- **Earnings of Children:** Twelve states have requested or received waivers to disregard the earnings of minor children to encourage enterprise and work. We believe that such an exemption would pay for itself in both behavioral and economic terms.
- **Public Housing Rents:** Public housing rents rise as income does, often rising above the fair value of the housing and making working uneconomic. Such rents should be capped at some level to increase work motivation.

The question arises of whether such reductions in the penalties confronting welfare recipients who try to escape the bonds of poverty should be at the option of states, or made uniform across the nation. At the very least, they should be made optional: by their actions, a majority of states have asked for the ability to reduce such barriers. We do not yet have final cost-benefit figures for these changes, nor do we know the optimal level of the disregards (for example, state increases in earnings disregards range from disregarding the first \$30 and 1/6 of additional income in Wisconsin to disregarding 100% of earnings in Massachusetts), so allowing experimentation makes sense.

On the other hand, there is more demand from states and more evidence of the effectiveness of these sorts of changes than for many of the provisions (like family caps and denial of benefits to children

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<sup>9</sup> Julie Strawn, Sheila Dacey, and Linda McCart, Final Report: The National Governors' Association Survey of State Welfare Reforms, Washington, D.C.: National Governors' Association, July 1994.

born out of wedlock) which would be imposed on all states by H.R. 4. Moreover, since these sorts of changes require easing eligibility standards and thus risking short term increases in costs in return for longer terms savings—half of which would accrue to the Federal government—there is a strong Federal interest in reducing the impediments to state action. Finally, given the overwhelming, bipartisan desire to reorient the welfare system toward promoting work, removing these work disincentives becomes central to transmitting the changed message. Finally, this is one area where we perhaps need to draw the line between empowering states and empowering people: the opportunity to confront the economic and social challenges of moving into the mainstream economy without undue interference from the welfare system is one that we may want to reserve to the people themselves, not the government.

#### **Recommendation Two: Encourage enterprise**

We know that, at least in some communities, there are simply not enough jobs available to welfare recipients seeking work, and, in particular, full-time jobs offering wages capable of sustaining a family. While we can debate the extent of this jobs shortfall among welfare recipients and in poor communities, there is little disagreement with the proposition that it makes no sense to deny unemployed welfare recipients a reasonable opportunity to create jobs for themselves (and their neighbors). Indeed, the key to a more competitive and inclusive economy lies in encouraging all our citizens, including welfare recipients, to become economically active. While most businesses created by welfare recipients would likely be quite small—generally employing four or fewer employees and thus termed microenterprises—it should be noted that between 1989 and 1991 (the most recent period for which this data is available), these smallest of firms created virtually all of the net new jobs in the country (some 2.6 million jobs net).<sup>10</sup>

In 1986, the Corporation for Enterprise Development (CFED) launched the Self-Employment Investment Demonstration (SEID), a multi-state<sup>11</sup> demonstration project designed to test the extent to which self-employment might offer a feasible and promising route out of poverty for AFDC recipients. While the final evaluations of SEID are not yet complete,<sup>12</sup> SEID has already yielded important lessons about the role self-employment can play in reducing welfare receipt—and the need for welfare. Among SEID's lessons for welfare reform:

- **A small but significant number of welfare recipients will choose to start businesses and can do so successfully.** As of September 30, 1991, 371 businesses were started by welfare recipients.<sup>13</sup> Seventy-nine percent of SEID businesses are still operating 2-5 years later.<sup>14</sup> Overall, 57% of participants in SEID had positive outcomes including business operation, employment or education.<sup>15</sup>
- **Self-employment offers the potential for substantial welfare savings.** The Manpower Demonstration Research Corporation (MDRC) found that 61% of SEID participants were long-term recipients,<sup>16</sup> suggesting that if self-employment indeed

<sup>10</sup> "New Data Show Smallest Firms Are Nation's Greatest Job Creators," Washington, D.C.: Small Business Administration, Press Release, September 30, 1994.

<sup>11</sup> Five states—Iowa, Michigan, Minnesota, Mississippi and Maryland—participated in SEID.

<sup>12</sup> The results of a survey of 120 SEID Business Owners conducted by the School of Social Work of the University of Iowa will be released in a month, and the results of cost benefit studies and CFED's own assessment of the lessons should follow closely upon the heels of that release.

<sup>13</sup> Data from program records. See "Lessons from the Self Employment Demonstration," Washington, D.C.: Corporation for Enterprise Development, October 1991.

<sup>14</sup> Salame Raheim and Catherine Foster Alter, *Self-Employment Investment Demonstration Final Evaluation Report, Part I: Participant Survey*, Iowa City, IA: School for Social Work, University of Iowa, forthcoming.

<sup>15</sup> See "Lessons..." *op cit.*

<sup>16</sup> Cynthia A. Guy, Fred Doolittle, and Barbara L. Fink, *Self-Employment for Welfare Recipients: Implementation of the SEID Program*, New York: Manpower Demonstration Research Corporation, August 1991, p. 88. MDRC did note that since SEID participants were significantly different from other long-term recipients (having higher-than-average educational and work experience backgrounds as well as larger families) it is unknown whether their prospects are similar to other long-term recipients.

offered an escape from welfare, substantial savings could accrue. A subsequent survey of SEID business owners found that the percentage reporting primary dependence on AFDC as a source of income declined from 74.2% of the sample at entry into SEID to 25.8% now—a 65% decrease.<sup>17</sup>

- **Self-employment increases incomes and assets of welfare recipients, as well as producing significant intangible effects on family welfare, self-esteem and education levels.<sup>18</sup>**
- **Microenterprise started by welfare recipients can create additional jobs and become a source of enterprise growth in low-income communities.** Minorities and women participated in SEID in proportion to their presence in the population, suggesting that self-employment may provide a means of equalizing business participation rates for groups and communities traditionally under-represented in business.<sup>19</sup> One-quarter of the businesses created jobs in addition to that of the business owner, so that overall, SEID businesses created 1.8 jobs per business.<sup>20</sup>
- **Welfare recipients enter poverty for different reasons and will escape through different routes. Among the poor are people of considerable talent and energy whose futures are limited by lack of opportunity, not lack of capacity.** Most SEID participants were long-term welfare recipients with larger than average families and stronger educational backgrounds and work histories than most recipients—a group no one previously identified.<sup>21</sup> This should remind us that welfare recipients are not a homogeneous group of irresponsible, untalented people, and that any one-size-fits-all welfare reform is likely to fail.
- **Policy must change if self-employment is to become a viable option for welfare recipients.** Sixty eight percent of SEID business owners in the survey reported that they could not have started their business without the Federal waiver of current AFDC policies.<sup>22</sup>

It should be noted that self-employment is not an option for most welfare recipients, but each 1% of welfare recipients choosing self-employment means nearly 50,000 businesses and 90,000 jobs. Moreover, while MDRC concluded that self-employment programs were so difficult to run that any significant program would be impossible, but, however difficult they are to mount, hundreds of self-employment/microenterprise programs designed to help low-income and unemployed people start businesses have grown up around the country in the years since SEID. Though still young and maturing, 195 of these programs in 44 states have already served more than 200,000 disadvantaged Americans, started 22,000 businesses, expanded 34,000 and lent \$44 million.<sup>23</sup> Most (at least two-thirds) of these programs already attempt to serve welfare recipients, although the barriers noted above make it difficult. In addition, promising models of training enterprises, sectoral initiatives, cooperatives, wage subsidies and placement bonuses are emerging around the country.<sup>24</sup> Though these initiatives are not sufficient to fill the need, if developed and supported, they offer to create jobs targeted to welfare recipients in an increasingly cost-effective manner.

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<sup>17</sup> Raheim, *op. cit.*, p.

<sup>18</sup> *Ibid.*

<sup>19</sup> "Lessons..." *op. cit.*

<sup>20</sup> *Ibid.*

<sup>21</sup> Guy, *loc. cit.*

<sup>22</sup> Raheim, *et.al.*

<sup>23</sup> Margaret Clark, Tracy Huston and Barbara Meister, *1994 Directory of U.S. Microenterprise Programs*, Washington, D.C.: Self-Employment Learning Project of the Aspen Institute, c. 1994.

<sup>24</sup> For a review of model programs, see William Schweke, *Jobs for the Poor, by the Poor*, Washington, D.C.: Corporation for Enterprise Development, forthcoming.

Based on this experience, we recommend that any Federal welfare reform legislation not only remove the asset and income barriers to self-employment noted above, but also make self-employment and other targeted job creation initiatives an option in any work program, and render them the same support afforded to recipients who chose education or wage employment.

### Recommendation Three: Build Assets

As Michael Sherraden argued in his seminal book, *Assets and Poor: A New American Welfare Policy*,<sup>25</sup> people escape poverty and achieve wealth through asset acquisition, not simply income. One of the clearest failures of the current welfare-to-work policy is that we raise people only to the poverty line, leaving them without a cushion, and are, therefore, one sickness, one accident or one divorce away from poverty. Indeed, we now know that the key employment challenge is not connecting welfare recipients with their first job, but developing long-term employment in jobs capable of sustaining a family above the poverty level. Owning assets gives people a stake in the future—a reason to save, to dream, to invest time, effort, resources in creating a future for themselves and their children. As Sherraden notes, "Income may feed people's stomachs, but assets change their heads."

In the earliest stages of this republic, Thomas Jefferson recognized that property-holding lay at the heart of full participation in American political, social and economic life. In *Assets and the Poor*, Sherraden notes that people escape poverty the same way they achieve wealth—through asset acquisition. Accumulating even a small pool of savings buffers a family from the illnesses and the accidents that otherwise become crises. Assets give the luxury of imagining a brighter future; it enables people to plan and prepare for that future; and, ultimately, to invest in themselves and their children. People are often surprised at the suggestion that welfare recipients who scarcely have enough adequate resources to eat or find shelter may be willing to save money. But in public housing complexes and poor communities around the country, families choose to forgo current consumption and put a few dollars away...because that is the price of family stability, the price of hope. It is people without hope that have children they can't care for and trifle with their own lives and those of others. "Assets," notes Sherraden, "are hope in concrete form."

One-third of American households are asset-poor, in that they have no or negligible investable assets.<sup>26</sup> Twice that—some 67% of African Americans—are asset-poor. And asset poverty has been increasing for at least two decades.<sup>27</sup> This comes at a time when the price of entry to the American economic mainstream—measured in terms of the cost of an adequate education, business capitalization or home ownership—has increased. Asset owning has become a sort of economic grandfather clause, every bit as insidious as the voting clauses of days past.

This pattern of asset-holding is abetted by a bifurcated national policy—we subsidize asset acquisition for the non-poor in the amount of \$160 billion annually at the Federal level in the form of the home mortgage deduction, preferential capital gains, and pension fund exclusions. Meanwhile, we actually penalize asset acquisition by the poor by denying eligibility to welfare recipients who exceed the \$1000 asset limitation by acquiring the piece of business machinery that could enable them to create their own job, or saving for their children's college education, or acquire a car capable of reliable transportation to work.

It is possible to create asset building policies that do not discriminate against the poor. In the Homestead Act, we provided 160 acres and a mule to Americans willing to work the land. Through the GI Bill, we bought college educations for a generation of people who served their country in time of war; they in turn drove our post-war economic expansion.

We need to develop policies which will help all Americans, including welfare recipients willing to work and save, build the assets which they need to achieve self-sufficiency for themselves and growth for the economy.

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<sup>25</sup> Michael Sherraden, *Assets and the Poor: A New American Welfare Policy*, Armonk, NY: M.E. Sharpe, Inc., c 1991.

<sup>26</sup> M.L. Oliver and T.M. Shapiro, "Wealth of a Nation: At Least One Third of Households are Asset-Poor," *The American Journal of Economics and Sociology*, vol. 49, No. 2, April 1990, pp 129-150.

<sup>27</sup> *Ibid.*

Individual Development Accounts (IDAs) are leveraged saving accounts which permit savers to withdraw funds only for select purposes such as higher education, capitalizing a small business or a down payment on a home. IDAs are an effective vehicle to assist low-income individuals accumulate assets and invest in their own personal development. Deposits by low-income savers in an IDA can be matched by other individuals, church congregations, employers and government.

There are several IDA pilot projects currently being operated by churches, corporations and community-based organizations around the country—in places as far flung as Tupelo, Mississippi, Indianapolis, Indiana and Bozeman, Montana. "I Have A Dream" Programs in 44 cities promise college tuition to students who stay in school; savings clubs proliferate in public housing complexes where women match each others savings to provide an emergency fund all can tap; banks and churches are developing home ownership programs wherein savings for down payments on houses are matched; and low-income entrepreneurs build up assets in their businesses. Six states have sought or been granted waivers which allow AFDC recipients to build up savings in qualified asset accounts. Iowa has authorized a pilot program of Individual Development Accounts under which the state will provide refundable tax credits to Iowans below 200% poverty. Oregon's Jobs Plus program provides that employers who hire welfare recipients with a hiring subsidy paid for by cashing out AFDC and Food Stamp benefits deposit \$1 for each hour worked into an IDA earmarked for future education and advancement. More states, banks, and thousands of microenterprise programs and neighborhood development corporations, and organizations such as the Congress of National Black Churches, the National Federation of Community Development Credit Unions stand eager to launch IDA programs if only the Federal government will become a partner.

We recommend that as part of welfare reform, Congress authorize a five-year, \$500 million IDA Demonstration which would leverage the development of 100,000 IDA accounts for low-income Americans (not just AFDC recipients, but also working poor households making less than \$25,000 annually). Bills with such provisions have been introduced in previous session of the Congress by bipartisan sponsors including Tony Hall, Bill Emerson, Bill Bradley and Orrin Hatch. A more modest version of a national IDA demonstration was introduced as part of the Administration's proposal last year. Earlier this week, Rep. Hall mentioned his intention to soon introduce such legislation.

Building assets for the poor ought to be considered in another context as well. After all, our argument here is not that asset-building is important for the poor, but that it is important for all Americans; unfortunately, policy to date has subsidized asset development only for the non-poor. Later this session, this Committee and this Congress will consider expanding Individual Retirement Accounts so that this asset-building tool can be used by middle income and wealthier Americans for education, home ownership and medical care as well as retirement. Included in the Contract With America, this proposal has also been endorsed by the President. For all the reasons cited above, this effort to reaffirm the American Dream makes sense. But as currently proposed, for example, in S. 12 introduced by Senators Roth, Breaux, Pryor and Murkowski, the "Savings and Investment Incentive Act of 1995" would continue the discriminatory bifurcated policy that offers tens of billions of tax incentives to the non-poor while leaving out most poor and working poor. To the credit of the sponsors of this legislation, it does address the issue of assets for the poor—it contains provisions that would lift the asset penalties for AFDC savers noted above. But while it would allow the poor to accumulate assets in a demonstration under rigorous evaluation requirements, it would provide tens of billion of dollars in tax incentives to the non-poor as an entitlement and without any evaluation. We would argue that what is good for the non-poor is good for the poor, and recommended that these "super-IRA" or "American Dream Account" proposals be amended in two ways:

- Expand the allowable uses to include business capitalization.
- Add a refundable tax credit equal in value to the benefit conferred on higher income savers for American households with less than \$25,000 a year in household income. These tax credits should match all savings in a qualifying account up to \$1,000. This would encourage private, state and local matches. The refundable tax credit could be deferred until withdrawal from the account.

**Costs and Returns:** It may will strike you as crazy for us to come before you with proposals to invest \$500 million to several billion over 5 years in asset development for the poor at a time when the search for cuts to even proven spending programs proceeds in earnest. But just as poor Americans can ill afford less food and shelter choose to save for the possibility of a better future, so must the country.

IDAs represent the center of a new investment policy in contrast to the current income/consumption maintenance policies. We use investment in the old-fashioned and precise sense of an application of resources today that creates greater returns tomorrow. We at CFED have recently estimated the likely outputs of an investment in IDAs, and will soon release a return on investment analysis based on the best available data. We estimate that 100,000 accounts with an average personal saving of \$10 a month by low-income Americans, matched 1:1 by private individuals and state and local governments, with the Federal government matching those contributions will produce in just five years:

- 10,000 businesses
- 30,000 first homes
- 30,000 post-secondary educations
- 63,000 job-years
- \$450 million in business revenues
- \$500 million in personal income increases
- \$190 million in savings in community institutions<sup>28</sup>

A more conservative and rigorous examination of the probable returns from a national investment in Individual Development Accounts suggest that over 10 years:

- For every \$1,500 invested by government in IDAs, government will accrue \$3,000 in direct increased tax revenues for an internal rate of return well over 15%; and
- That investment by government matching private savings results in an additional \$7,000 in income to each IDA holder, and \$3,000 to society at large in the form of new jobs and improved economies.

These figures assume that one-half of the outposts noted above would have occurred otherwise; that is, we cut the estimated return in half. They do not quantify expected changes in hope, initiative-taking, family stability, civic participation, and involvement in childrens' educations. In a larger sense, of course, these projections are like the returns included in the business plans of proposed ventures; we will never know the true returns unless we risk the investment.

We hope this Committee will embrace the full promise of welfare reform, attempting not only to curb the wrongs, but seizing also the opportunity to build families and communities and economies.

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<sup>28</sup> Robert E. Friedman, "Assets in the 21st Century American City," Washington, D.C.: Corporation for Enterprise Development, 1994.



Mr. McCRERY. Thank you, Mr. Friedman.  
Now, Mr. Goldstein.

**STATEMENT OF JAMES GOLDSTEIN, BENEFITS COORDINATOR,  
AIDS PROJECT OF THE EAST BAY, OAKLAND, CALIFORNIA**

Mr. GOLDSTEIN. Mr. Chairman, my name is James Goldstein, and I am benefits coordinator at the AIDS Project of the East Bay in Oakland, California.

—My job at the AIDS Project is to assist people with HIV in accessing private and public benefits. Most of my work involves providing assistance with the Social Security and SSI disability process. And because Oakland, and Alameda County generally, contains many communities struggling with the dual afflictions of poverty and drug use, much of my work also involves people with substance use disability.

Mr. Chairman, I have submitted written testimony which discusses the epidemic of substance use in all parts of this country. I have discussed how the rigorous eligibility process keeps total numbers of substance use recipients to 1 percent of all SSI claims. I have discussed how AIDS is following the substance use epidemic wherever it goes and how discontinuing the SSI Program for people with substance use disabilities would not only prevent these individuals from ever stabilizing their lives, but would cause an even greater increase in HIV transmission.

I have further discussed how the economic costs saved by discontinuing the program would be far offset by the increase in AIDS disability SSI claims, as well as Medicaid claims, and how local and State government would bear a further economic burden by having to provide increased indigent medical care and poverty assistance.

I have also discussed how Congress dramatically cut costs in this program last year by limiting SSI's substance use benefits to a maximum of 3 years, revising the payment process, and further cut costs by applying the same sanctions to Social Security substance use claims as well.

Yet, we have not even seen the effects of these new sanctions and already there are calls to eliminate the program entirely. And it is for this reason that I have come to this Committee today.

Addiction is not a moral issue; it is a disease. It is a disease that can affect anyone, anywhere, regardless of race, or class, or region. But nowhere is the severity of this disease more exacerbated, nowhere are its symptoms more extreme and its treatment more difficult and protracted, than in low-income communities in this country.

Crime, and poverty, and lack of education and opportunity not only cause substance use, they are caused by substance use. It is the result of this cycle of poverty, and addiction, that organizations like the AIDS Project confront throughout the United States, on a daily basis.

Yet, substance use is a disease that people truly, valiantly struggle with every day. In my work in Oakland and throughout Alameda County, I have seen heroic efforts by people in the worst of circumstances confront enormous odds: Women forced to leave their children with relatives or in foster care for months because they re-

alize the only hope they have of staying off drugs is to live in a residential treatment program.

I have seen people stay in Narcotics Anonymous meetings all day long to avoid going back out on the streets to an environment that every second pushes them to use, and I have seen people in the devastating throes of AIDS struggle against the overwhelming desire to escape the pain and torture of this disease by turning to alcohol and drugs.

I have traveled across the country to let you know, Mr. Chairman, what these people are confronting. They deserve a chance, a chance to stabilize their lives, a chance to realize a future for themselves, a chance at a life without addiction.

There was a man who came into the AIDS Project several months ago, and he came in because he was scared. His substance use had driven away his girlfriend; his immune system was shutting down; and he was developing the chronic fatigue and drastic weight loss associated with advancing HIV disease.

I helped him get on SSI, which allowed him to get into a drug treatment program and enabled him to receive medical care for his HIV disease. Today, he has regained his weight; his T-cell count has increased; and he finally sees a future for himself. He could not have done any of this without SSI assistance.

When I told him I was coming here to give testimony and I asked him what he wanted me to say, he thought for 1 minute and said: You know, they are all Republicans now, and I do not think they care about any of us, and I cannot think of anything to say that would make them care.

Mr. Chairman, I promised this man that I would pass along this message, in addition to my own personal hope that it is truly not the case. And I yield back the balance of my time.

Thank you.

[The prepared statement follows:]

**Testimony Before  
the House Ways and Means  
Subcommittee On Human Resources  
given by James Goldstein  
Benefits Coordinator, AIDS Project of the East Bay  
February 2, 1995**

Mr. Chairman:

My name is James Goldstein, and I am the Benefits Coordinator at the AIDS Project of the East Bay in Oakland, California. The AIDS Project is the largest AIDS service organization in Alameda County, California, providing services to approximately 700 people with HIV. The services we provide include case management, emergency food and housing assistance, education prevention, testing, counseling and assistance accessing public and private benefits.

Like every AIDS service organization in major metropolitan areas throughout the country, the AIDS Project of the East Bay is on the front lines of confronting the AIDS epidemic. One of the most important aspects of the epidemic that has recently emerged is the continuing, and disturbing, growth of AIDS in low income urban communities where drug use has become the main route of transmission. With these two epidemics feeding off each other, and with proposals being made to discontinue the SSI program for substance users, an important question should be asked: What are the consequences for people with HIV, and for HIV transmission, if the SSI program is discontinued for substance users?

I assert that SSI provides a significant means to stabilize individuals with substance-use conditions who would otherwise engage in criminal behavior, become infected with HIV, infect others with HIV. It is also an economic means of preventing expensive incarceration and expensive medical treatment for themselves and those they may infect with HIV. Further, it provides an important means of preventing new HIV infections.

### **The Epidemic of Substance Use**

Although people may tend to think of substance use as a problem of moral character, it is a disease; and this fact is recognized by the medical community in this country. Because it is a disease, substance use is one category of disability in both the Social Security and SSI programs. Though there is a popular perception that it is extremely easy to qualify for SSI based on drug use, this is not the case. Like all alleged disabilities in the two programs, substance use must be **medically** documented. What is different about substance-use is that an individual must not only show that they are addicted to drugs, but also that this condition is so grave it has led to a mental disorder which would independently qualify them for benefits. Further, physicians must be able to document this clinical, medically determined mental disorder, and must also find that the individual's total condition is characterized by marked restrictions in their functional capacity. This is a very high hurdle, and one which certainly precludes individuals from simply walking down to their local Social Security office and applying for SSI benefits simply

because they state they use drugs. Indeed, this hurdle is so high that, in Alameda County, most substance-use claims are denied at the initial application stage.

Further, individuals with substance-use conditions and AIDS may not qualify for benefits based on having AIDS because the present Social Security and SSI disability regulations do not allow an individual to become eligible for benefits based on having a diagnosis of AIDS. Individuals with AIDS must be in the advanced stages of the disease before they qualify for benefits. Because of this, people with AIDS stay on benefits, be it Social Security or SSI, for usually less than five years.

Despite these high hurdles, the number of substance-use recipients on the SSI roles has grown dramatically. In California, the number of substance-use SSI recipients has risen from 12,000 in 1992 to almost 29,000 in 1994. In Washington, it has grown from 1,300 to almost 2,500. In Michigan, from almost 1,600 to over 9,000. In Tennessee, from almost 300 to over 3,000. Interestingly, though, in places such as New York, New Jersey and Pennsylvania, the numbers have stayed relatively stable, with New York doubling their numbers to slightly over 3,600, New Jersey doubling to slightly below 500, and Pennsylvania doubling their numbers to slightly over 2,300. In spite of all this growth in the U.S., only 95,000 individuals are on SSI based on substance use, which is approximately 1% of the total number of SSI recipients nationwide (approximately 9,000,000).

What these statistics show is that, despite the high hurdles to qualification for disability benefits based on substance use, which keep the overall numbers of SSI substance-use recipients low, we are truly facing a growing epidemic of drug use in this country, an epidemic which is affecting small states as well as large, and which cuts across regional lines. Most importantly, people are truly becoming disabled as a result of this epidemic.

What is often not focused on is that HIV is following this epidemic everywhere it goes. Indeed, based on nationwide local health jurisdiction reports, upwards of 50% of all new HIV transmission rates in low-income, urban communities are a direct result of drug use. Even in states with less urban populations, such as Nevada and Washington, the figure is approximately 20%. Of the almost 2,000 substance-use SSI recipients in Alameda County, California, it is estimated that 25%-35% are infected with HIV. In other low income, urban areas across the country, the figures are similar. What is more important is that the trend is increasing. Substance use is not only a direct means of HIV transmission, through needle sharing, it is also an indirect means of transmission because drug use frequently leads to unsafe sexual behavior, a fact which is overlooked by the statistics. As HIV transmission rates continue to increase in these communities, more and more individuals with substance-use issues will become HIV positive, and continue developing AIDS at a faster rate than normal as their drug use compromises their immune system.

### **Sanctions Applied to Substance-Use SSI Recipients**

There have traditionally been certain "sanctions" applied to substance-use SSI receipt. Recipients were required to go into treatment programs, or risk losing their benefits. There are referral and monitoring agencies in most states, which monitor recipient compliance with this requirement and advise recipients of available treatment options. Further, recipients were required to get representative

payees who would take control of their checks and ensure that their funds would not go toward drug use.

Concerns about fraud and abuse in the system led Congress to radically change the SSI sanctions last summer. Starting in March of this year, each state will be required to institute a referral and monitoring mechanism to monitor compliance with sanctions and to make referrals to available drug treatment programs. Preferred payees will no longer be family members, but non-profit community-based organizations or local government agencies. Most important, however, is that there is now a three-year time limit for receipt of SSI substance-use benefits, with no possibility of getting further SSI substance-use benefits after these three years elapse. All substance-use sanctions will also apply to Social Security for the first time under the new law.

In combination with the high standards applied to substance-use disability evaluation, these new sanctions clearly address any abuses that existed within the prior system. However, there are some problems in the new sanction regime. One of the most pressing and important problems in assisting substance-use recipients has been the inconsistent availability of treatment programs in different communities. Some communities have more treatment programs than others, and the availability of these treatment programs at any given time varies. Despite this, the three year SSI time clock will start ticking the moment an individual becomes entitled to receive benefits. This is different from the new Social Security sanction requirement, which will begin the three year clock from the date of treatment availability, as assessed by the monitoring and referral agency.

Another problematic element concerns the kinds of available drug treatment options. Many drug treatment programs (we estimate that in Oakland the number approaches 50%) are based on a religious model which may be inconsistent with the recipient's beliefs; some treatment programs use physical methods (including abuse) as treatment therapy; others may use other punitive measures, and these may also be inappropriate for many, if not all, recipients. The problem is that there are no standards, either local or federal, for treatments programs. As a result, many operate as programs to recruit individuals into certain religious institutions, others operate with incompetent or ineffectual programs, and others operate as scams, seeking only a portion of the recipient's SSI check. This explains why the recidivism rate for drug treatment programs geared to low income individuals has traditionally been upwards of 50%, and why many SSI recipients in the past have not been successful in leaving the SSI rolls.

How the new sanctions will function remains to be seen, but if no additional efforts are made to provide effective substance-use treatment these individuals will leave the SSI rolls after three years still using drugs; endangering their health and the health of others in the process.

### **The Consequences of Forcing Substance-Use Recipients off the SSI Rolls: The Human Cost**

Despite these new sanctions, and despite the fact that we haven't had the chance to see how they function, there are proposals to cut-off the SSI program to substance users entirely.

The ramifications of this action are enormous. First, the demographics of substance-use SSI recipients do not lend themselves to successful, sustained

employment, even in the best of economic times. Substance-use recipients are remarkable in the following ways: they generally have little more than a high school education, with most having dropped out of high school and many being functionally illiterate; they generally have no marketable job skills and no significant work history, or sustained work history; they have generally been the victims of physical and/or sexual abuse as children; they suffer from any one of a number of different mental disorders, including paranoid schizophrenia and post traumatic stress disorder, and turn to drugs as a source of escaping or "medicating" their psychological pain; they live in communities where drugs are constantly used around them and where they are constantly offered drugs, and where the mean income is at, or below, the poverty line.

For an individual living in this kind of environment (who cannot financially afford to live anywhere else) taking personal responsibility is almost impossible for the simple reason that these people have an illness, and one which is completely exacerbated by their environment. It is little wonder that these individuals cannot escape the vortex of drug addiction, even when substantial and earnest attempts are made.

Second it must be understood that the two most effective ways to allow for the possibility of escape is to stabilize the income and housing of these individuals, and to connect them with local support service agencies, whether governmental or non-profit. These agencies are often the only institutions where they can go to for emotional and practical support. If this is done, an individual has a fighting chance to escape the grip of substance use. However, if an individual cannot maintain a stable, minimal income or housing situation for an extended period of time, they simply have no real chance of success. With little or no income, and marginal housing, these individuals literally have nothing, and consequently have nothing to lose. They turn to criminal activity to support their needs, as well as their drug addiction, and their substance use continues and becomes even more intractable. They run a very high chance of becoming infected with HIV, and of infecting others either through their drug use or unsafe sexual behavior.

Cutting such people off SSI eliminates any stake these individuals have in their own health or well being. The human cost is enormous. In America, 250,000 individuals have already died of AIDS. Fifty-thousand of these deaths were in California. Yet even in states not normally associated with HIV infection, such as Nevada, there have already been over 1,100 deaths. AIDS is everywhere, and substance use is one of the leading causes of its growth. One of the only means of prevention we have in this area is to stabilize individuals and give them support.

### **The Consequences of Forcing Substance-Use Recipients Off the SSI Rolls: The Economic Cost**

In California, once an individual loses their SSI eligibility they automatically lose their Medicaid eligibility. Since the disabled eligibility criteria for Medicaid mirrors that of the Social Security and SSI programs, a substance use recipient who loses their SSI eligibility will not be able to independently qualify for Medicaid unless substance-use eligibility for Medicaid is allowed to continue. If these individuals are not allowed to keep their Medicaid eligibility, then they will most likely end up in the emergency rooms of county hospitals any time they become ill, where the cost of their care and treatment will be far greater than if they had been treated at a private facility, or in a non-emergency room setting. Local government will then have to pick up the care for these individuals, which will further strain local health care budgets.

This cost is not an insignificant one, especially for individuals with HIV who do not qualify for SSI or Social Security because their condition is not advanced enough. A 1993 study by the California Department of Housing estimated that there are already 125,000 cases of HIV which have not yet advanced to a diagnosis of AIDS among California's homeless population. A high proportion of these individuals have substance-use and severe mental disorders, and are already overflowing the county emergency wards throughout the state.

In California, the states prison population is expanding enormously with HIV positive inmates, to the extent that special wards have been established to house and treat HIV positive inmates. With passage of the new "three-strikes" law, this situation will only worsen. Thus, one way or another, government is forced to confront the fact that it will pay for the health care of indigent individuals with HIV. Even for individuals without any special health care needs, it costs between \$40,000 and \$50,000 a year to incarcerate a single individual in California.

The needless cost of emergency room care, the cost of incarceration and treatment of HIV in prison, all of these can be mitigated by stabilizing individuals who are at risk of going to prison, using drugs, and become infected with HIV or ill with AIDS.

a. It makes economic sense to try and ensure that substance users don't end up in prison. In California a maximum SSI award for a single individual with access to cooking facilities is approximately \$602.00 a month. That works out to approximately \$7,200 a year, a savings of \$32,800 a year if that person were to otherwise serve the rest of their life in prison. Though receipt of SSI income does not necessarily guarantee that a recipient will not end up in prison, it is our experience that SSI income is a very good way to stabilize an individual and get them involved with support mechanisms and services which help prevent high risk behavior.

b. It makes economic sense to treat an individual on Medi-Cal for their substance-use or HIV condition in a non-emergency medical setting, rather than seeing them in emergency rooms where the expense of treating them will be far greater.

c. It makes economic sense to prevent substance users from becoming HIV positive, or infecting others, and later developing AIDS where their condition will then be covered by both SSI and Medi-Cal, thus incurring a needless additional cost.

What must be understood is that the cost saved by cutting people off of the SSI rolls will simply be transferred to other governmental costs, either by local, state, or federal government. In this situation, an ounce of prevention is the more economical approach.

### **Policy Recommendations and Mitigation Measures**

1. **Do not discontinue the SSI program for substance users.** The human cost and the economic cost is too high.
2. **Allow individuals to become eligible to receive benefits when they receive an AIDS diagnosis, and not force them to wait to become even more ill.**

Forcing people with AIDS to develop advanced stage disease before they qualify for Social Security or SSI is an inhumane way to treat terminally ill people. Also, it would have the effect of stabilizing substance users with AIDS and prevent new HIV transmission.

3. **Exempt certain categories of people from the present three year cut off, or from any program discontinuation, such as individuals with symptomatic HIV, or those with dependent children.** This would allow for individuals who will eventually become ill, or who have children, to continue receiving benefits. This has two advantages: it would stabilize substance users with HIV and help prevent new HIV transmission, and it would help families.
4. **Allow continued Medicaid if SSI is cut off after three years of eligibility, or if the program is discontinued for substance-use recipients.** This would prevent local or state governments from treating indigent individuals in crisis situations. It would also allow the individual the ability to pay for any treatment program (if Medicaid will pay for drug treatment programs).
5. **Measure the three year time limit of substance-use SSI benefits from the time of available treatment, rather than date of entitlement.** This is the way Social Security measure the three years now. Thus, an individual with no viable treatment options will not have the clock ticking on their benefits until legitimate treatment becomes available.
6. **Establish some basic, elementary standards for drug treatment program referrals.** If the Social Security administration monitoring and referral agencies require that treatment programs adhere to certain basic, medical standards before the agency will make referrals to these programs, it will provide incentive for treatment programs to improve quality. This would be even more effective if any Medicare or Medicaid payments were made conditional on meeting such requirements. However, the standards should be basic and fundamental, and not be so high as to preclude access by indigent individuals, or push legitimate programs out of the market.

Thank you, Mr. Chairman, for the opportunity to testify on these issues.



Mr. McCRERY. Thank you, Mr. Goldstein, and thank you all for your testimony.

Mr. Ford, do you have questions?

Mr. FORD. Thank you, Mr. Chairman.

Mr. Friedman, you talked about the economic independence of welfare recipients and their families. I see where you reduce the penalties confronting welfare recipients who try to escape poverty through education, work, self-employment, and savings.

You go on to talk about "encourage enterprise," but I am going to the last one, "build assets." You know, the AFDC Program is the means-tested program, and I guess you were referring to maybe the Federal Government matching dollars.

I have no problem with that. But we have heard testimony earlier, and in the White House Summit on Saturday, where I and Senator Moynihan, among others, discussed some type of an achievement program, entering into a contract with family members or the mother when there are kids who are 6, 7, 8, 9, and 10, 11, 12 years of age, early on to prevent some of the teen pregnancy problems and other violent problems that we see in poverty-stricken families and the community as a whole.

You only talk about the working poor Americans and some kind of individual development accounts used for education, training, home ownership, or business enterprising.

Could you maybe talk a little bit more about that, or could you focus on something like an achievement type of program for the age group from 7 to 13 years of age where we find the teen pregnancy and other problems that exist in the welfare population?

Mr. FRIEDMAN. You make a very good point. My colleague, Cicero Wilson, used to work in a youth program, and he said the kids he feared in that program were the kids without hope.

We know also that the young women who are most likely to bear children early are those who have lost hope in a future.

Michael Sheradan argues that assets are hope in concrete form. I believe they are. We see changes in behavior. Having even a little bit of savings buffers you from the everyday accidents and illnesses that otherwise become crises. It gives you the luxury of imagining a future better than the present, of planning for that, preparing for that, and ultimately investing in yourself and your kids when maybe only you believe.

Mr. FORD. Maybe building the assets, if we would look at a program that would focus on the 7- to 14-year-olds when you find those age groups in a family that is set in its own welfare, is that maybe the component that we need is to build those assets, is to enter into a separate contract to make sure that those who excel in school, those who have no tardiness, absenteeism, those who have no teen pregnancy problems or problems within the family itself—you build on these assets. You build not only for education and home ownership and training, but you also provide some type of achievement stipend for the kids.

Would that be in line with what maybe you are—

Mr. FRIEDMAN. It would be absolutely in line, and that experimentation has already begun. There are programs that will deposit money into an account upon successful completion, for instance, of 1 year of school or the achievement of some other milestone.

Mr. FORD. You have not seen any results yet on any of that, have you?

Mr. FRIEDMAN. It is too early. We are just trying—there are literally hundreds of community groups and there are a number of States that are anxious to experiment and to begin to learn about how asset development programs and individual development accounts of various forms, including children's development accounts, might work.

What they need is a partner in the Federal Government.

Mr. FORD. Because basically what we want to do here, we are trying really to save the children, keep them out of these poverty-stricken families and communities and these bad economic conditions that they find themselves in and really trying to respond to this huge problem that we have.

And it does not only exist with the welfare population. This poverty question is out here outside of the welfare population. We are talking about 15 million people; 10 million happen to be children. But there are millions of others in this country who are living below those poverty thresholds that we are dealing with only one part of the problem that exists today among the poor of this Nation.

My time is up. I thank you very much.

Mr. MCCRERY. Thank you, Mr. Ford. And thank all of you for coming today and sharing your testimony with us.

The next panel is Pamela Cave, Karolin Loendorf, Kristin McKay, Jen Dewberry, and Sandra Corder.

If you will come forward and take your seats.

[Pause.]

Mr. ENSIGN [presiding]. I would like to welcome the panel here, and if you have been in the audience, you understand that we have a 5-minute rule here. Any written testimony will be placed officially into the record. But please limit your comments to the 5 minutes. A yellow light will go off when you have approximately 40 seconds left to go in your testimony.

And why don't we start with Pamela Cave, please.

Ms. Cave.

#### **STATEMENT OF PAMELA CAVE, CHANTILLY, VIRGINIA**

Ms. CAVE. Good afternoon. My name is Pamela Cave, and I am a single parent. I have five small children and have been personally involved in the AFDC Program in the course of the last 5 years because my husband left my family at one point.

My children are all legitimate, and I am still married to my husband, but I was still involved in the system nonetheless.

I passed out a piece of gum, and I am sort of using this as an analogy to my experience with the Personal Responsibility Act, and I would like to start with that.

I received a copy of the act from Mr. Arme's office, and I read through it, and I was very disappointed because I did not see any provisions in the act for child support.

And then I received this advisory from the Committee, and on the back side, under the Personal Responsibility Act overview, it says that it will force fathers to participate in work programs when they fail to pay child support.

And I thought: Well, that sounds really good, except I do not see it in the text of the act. And that is where this gum comes in.

I like to listen to Rush Limbaugh. I do not always agree with him, but he gets me motivated, and he talks about symbolism over substance. And if you take the piece of gum, I think it is sort of like this Personal Responsibility Act in the overview.

It promises here that fathers are going to be forced to participate in work programs if they fail to pay child support. But if you open up the act—

Mr. ENSIGN. Excuse me.

Ms. CAVE. Yes.

Mr. ENSIGN. I do not know if you are aware, but because of all the concerns that we had heard, we are holding hearings on Monday regarding the whole child support issue, just to let you know that we have been responsive to a lot of the concerns such as what you are bringing up today.

Ms. CAVE. Yes. Well, I understand that, and I talked to Mr. Shaw's office about that Monday. But I had written in about this long before that.

So I am just using this analogy here that this looks like a good piece of gum and that there is going to be something in here, and that is what I thought when I read the overview and got the act. But then when you open it up, there is nothing in here. It is sort of symbolism over substance, and that is the point I wanted to make, because I think if the overview says it is in there, it should be in there, where, in fact, it is not. In here, it talks about different ways to make paternity be more readily established. But in most States there are already provisions to do that.

I will go on to my second point, which is that we have different social programs. We have food stamps, which are income and resource qualified. There are millions of families who receive food stamps. We have housing programs which are again income and resource qualified, and there are some people who own their homes who can get food stamps and qualify for some housing programs. We have two-parent families who qualify for housing programs. Then your Medicaid—income, resource qualified, and category qualified. You have to meet a category. So these programs just are not readily available to anybody who wants them.

Then you have the AFDC Program. To qualify for the Aid to Families with Dependent Children Program, you have to prove that your child or children are being denied the benefit of a parent. You have to prove that; you have to cooperate in getting a child support order initiated.

And I brought in this Monopoly money that belongs to my kids to try and make a point with that. Here you have your AFDC grant that you have gone through a long process to get. Fraud does occur, but it is usually because there is a mistake in the processing of the case. You have your AFDC grant.

Then out there you get a child support order established. For every dollar of child support that comes in on your case—there is an account kept of every AFDC case—for every dollar of child support that comes in on your case, a dollar is taken away from the AFDC grant.

So if you pull in all your child support and it equals more than your AFDC grant, which it should under State regulations—generally, say, you have an AFDC grant for \$150 a month for one child; your child support order is more likely to be more than that under the lowest State guidelines—so if you have AFDC for \$150, your child support for \$200, you pull your \$200 in, your AFDC grant is gone.

And it explains that in title IV of the Social Security Act, but it is not enforced as well as it should be, because there is no oomph behind the enforcement. The civil process of child support enforcement is very long and cumbersome, does not always accomplish what it is supposed to, and the agencies are very overburdened.

But we need to stop looking at the stereotypes and start looking at some of the facts. The fact is that for every dollar of child support you bring in, you knock that same dollar off of your welfare grant. And 87 percent of our cash entitlements go out to AFDC Programs.

Now there are other programs that have different qualifications. But I am specifically talking about AFDC, and that is our standard typical welfare payment. And it is very important to acknowledge that when we are drafting new legislation like this.

And the last thing I wanted to do is show you a clip from a movie. It is called "*Kramer v. Kramer*," and it is about a mother who actually leaves her husband and little son.

And the point of the scene is, I equate this to how child support is viewed by a lot of people who have orders. You will see that the little boy wants to do something and get something, and his father is there saying: No, no, no; you must not; you must not; you must not. And he is warned over and over and over but the consequences do not happen for quite a while.

Mr. ENSIGN. Ms. Cave, how long is this?

Ms. CAVE. It is just a few seconds.

Mr. ENSIGN. OK.

Ms. CAVE. Can we turn it up, so we can hear it? It is just a few seconds, and it is just to . . .

[Videotape shown.]

Ms. CAVE. OK, we can stop it.

But the point I wanted to make with that little clip from the film is that when we have provisions for child support, we have to let people know that excuses will not be accepted, that responsibility is really inherent in someone's character, and it is not something we can legislate, and the government should only step in when people cannot take care of things for themselves.

And in this case, as parents, who have parents who walk away, we do not have the ability to go out and instill a wage attachment. The government is the only organization that can hold people accountable.

Mr. ENSIGN. I am sorry to cut you off.

Ms. CAVE. OK.

Mr. ENSIGN. But because we have so many witnesses today. Thank you very much.

Ms. CAVE. OK, thank you.

[The prepared statement follows:]

Pamela Cave  
15215 Bannon Hill Court  
Chantilly, Virginia 22021

TESTIMONY TO BE PRESENTED TO THE COMMITTEE  
ON WAYS AND MEANS: THE SUBCOMMITTEE ON  
HUMAN RESOURCES

I recently had a professor who said, "Legislation is like sausage. No one should see it being made." I was in West Germany once and saw sausage being made. It made me sick to my stomach. I have been watching the welfare reform proposals being offered over the course of the last several years. This, at times, has made me sick to my heart.

Before attempting to solve a problem, we must first pinpoint the exact cause of that problem. We have got to be certain of the exact target before we send out missiles to destroy the "perceived" cause of trouble. Before ANY legislative action is taken by this or any body, I would challenge all voting members to read, study, research, and investigate the full extent of the "welfare reform" issue prior to acting in any manner.

In many circumstances, the defining of the problem can often be the most difficult process to effectively manage. Regarding the issue of welfare reform, I feel that many legislators and media have missed the "proverbial boat" and have, in turn, misguided the public. We first must define and distinguish the issues that have been combined in the "Personal Responsibility Act".

The text of this proposal mentions, basically, three different social programs. It mentions the Aid to Families with Dependent Children program, (this program itself also involves several subprograms), the Food Stamp program, as well as a number of various housing programs. These programs are INDIVIDUAL entities. Qualifying for one does not mean that an applicant would qualify for all forms of assistance. The Food Stamp and housing programs are generally income and resource qualified. The AFDC program is also income and resource qualified, but in addition, an applicant must prove that his or her child is being DENIED THE BENEFIT OF AN ABSENT PARENT. This difference is vitally important when considering policy decisions regarding "welfare reform".

Two-parent families, even those with two working parents, may qualify for food stamps. I know that some military families may qualify for food stamps. Some two-parent families who own their own homes may qualify for food stamps. The Food Stamp

program, overseen by the Department of Agriculture, is a creature of its own. Many hard-working families may qualify for this program if their incomes and resource levels meet federal guidelines. Although some of the homeless people we see in the streets of this city may qualify for food stamps, we cannot assume or lead the public to believe that they are the primary or only recipients of such assistance.

Housing programs, which are overseen by the Department of Housing and Urban Development, again, have their own specific requirements. Two-parent families can qualify for housing assistance. Families with several incomes may qualify for housing assistance. Although public housing does serve many AFDC families, the wait for such housing is generally long. A family may need to wait one, two, three, four, or five years to move to the top of a housing program waiting list. Again, we cannot assume or lead the public to believe that the stereo-typical "welfare mother" is the primary or only recipient of such assistance.

Although the policies involved with these programs are long in composition and cumbersome to sift through, it is vital to understand, differentiate, and define the separateness of our social programs before we profess to "fix the welfare system as we know it". Senator Gramm has said, "It's time to get those riding in the wagon out to help pull." This, in rhetoric and theory, sounds inspiring and motivating, even basic to our American values encompassing hard work and opportunity. But, we cannot legislate to rhetoric or theory. We have got to look to the facts of the situation.- Nothing more... Nothing less.

The AFDC programs implemented in our country provide the expenditure of eighty-seven percent of the cash entitlement programs which involve approximately one-percent of the federal budget. Although many AFDC recipients may qualify for food stamps and housing assistance, an AFDC family must prove that its children are BEING DENIED THE BENEFIT OF AN ABSENT PARENT to receive a cash grant. The term "cash grant" may sound appealing and enticing, afterall, a grant is free.... But, receiving AFDC is far from leading a life of luxury. The AFDC grant for a family with one child is approximately one-hundred and fifty dollars, more in some jurisdictions, less in others. Would you be able to support one child and yourself on one-hundred and fifty dollars per month?

Present policy requires that an AFDC applicant name the absent parent when applying unless there is a compelling reason not to. The "compelling reason" is supposed to be documented in the application process and such exemption is supposed to be the exception, not the rule.

The absent parent is supposed to be pursued by the state

or county of jurisdiction so that a child support order may be put in place to REPLACE AND ERRADICATE THE AFDC GRANT. This one piece of policy SHOULD SERVE AS THE FOCUS OF AND FOUNDATION FOR EIGHTY-SEVEN PERCENT OF OUR EFFORTS TO REFORM "WELFARE AS WE KNOW IT". A state or county of jurisdiction involved with an AFDC case is charged with the task of keeping an account of all welfare monies distributed in that case and with the task of seeking out the absent parent to effectively recoup those funds. In essence, in an AFDC case, a bill is run-up by the absent parent. That bill is supposed to be PAID IN FULL BACK TO THE STATE OR COUNTY OF JURISDICTION BY THAT ABSENT PARENT. This is where the ball is too often dropped. This is where the federal government must step in as the states are not effectively managing the task.

Dollar for dollar, child support that is collected for a family receiving an AFDC grant REPLACES THAT GRANT. THEREFORE, A CHILD SUPPORT ORDER ENFORCED FOR THE AMOUNT OF TWO-HUNDRED DOLLARS PER MONTH WOULD COMPLETELY ELIMINATE A ONE-HUNDRED AND FIFTY DOLLAR WELFARE PAYMENT. THUS, THIS FAMILY WOULD BE OFF OF "WELFARE".

But, the effective pursuit and enforcement of policies regarding the absent parents in AFDC cases is THE EXCEPTION, not the rule. A CUSTODIAL PARENT WHO QUALIFIES FOR AFDC DOES NOT HAVE THE LEGAL AUTHORITY TO TRACK DOWN AND SEEK OUT PAYMENT FROM AN ABSENT PARENT. THE STATE OR COUNTY OF JURISDICTION MUST DO THIS. BUT, GENERALLY, IT CAN TAKE MONTHS, EVEN YEARS, FOR THIS PROCESS TO BE UNDERTAKEN AND EFFECTIVELY MANAGED. WHEN AN ABSENT PARENT LIVES SEVERAL MILES FROM THE CHILD OR CHILDREN INVOLVED, THE REQUIRED CIVIL SERVICE OF PROCESS ON THAT PARENT CAN TAKE SIX MONTHS. IF THIS IS THE CASE WHEN THE PARENT IS JUST "DOWN THE STREET", IMAGINE HOW LONG IT MIGHT TAKE TO PROPERLY SERVE A PARENT OVER STATE OR COUNTY LINES.

Yes, we want parents to be responsible for their children. Yes, we should hope that upon seeing their newborn, every parent will automatically feel that responsibility and desire to care for that child's needs. Yes, we should marvel at the bond that can exist between parents and their children. Afterall, there should be no greater human love than that a parent has for his or her child. But, in an imperfect world, although we may want, hope, and pray, human nature is fallible. Some people can simply walk away from their children and never look back.

Responsibility is a quality that must be inherent in a person's character. RESPONSIBILITY CANNOT BE LEGISLATED. Our government must only step in and handle the situations that we, as a free society, cannot handle on our own. -a couple of hundred years ago, in Boston, they had a tea party to make that point. It is vital that our government remember its beginnings and foundations, especially when the topic at hand involves

the future of our country's children. Therefore, we must evaluate the welfare problem objectively and develop a strong, clear message which can be sent to the people and can be effectively enforced to the full extent of the law.

A recent advisory distributed by this committee stated that the "Personal Responsibility Act" WOULD "FORCE FATHERS TO PARTICIPATE IN WORK PROGRAMS IF THEY FAIL TO PAY CHILD SUPPORT." I have read and re-read the text of the act, and I cannot find that provision anywhere. Without provisions for both parents, how can the act properly address parental responsibility?

IN ITS PRESENT FORM, THE PERSONAL RESPONSIBILITY ACT SEEMS TO SEEK TO DISCIPLINE, SPECIFICALLY, THE PARENTS WHO REMAIN WITH THEIR CHILDREN. AS WRITTEN, IT WILL SURELY SIMPLY TREAT SOME OF THE SYMPTOMS OF THE WELFARE PROBLEM. THE PROBLEM IS NOT TEEN-AGE MOTHERHOOD. THE PROBLEM IS NOT ILLEGITIMACY. THE PROBLEM IS NOT THE "SWEEPSTAKES" OF LIVING A LIFE "ON THE DOLE". THE PROBLEM IS NOT LAZINESS. THE PROBLEM IS NOT POOR SEX EDUCATION. THE PROBLEM IS THAT OUR CULTURE SO EMPHASIZES OUR "INDIVIDUAL RIGHTS" THAT ACCOUNTABILITY AND THE DESIRE TO BE TRULY RESPONSIBLE HAVE GONE OUT THE WINDOW.

WE HAVE BECOME A NATION OF EXCUSES. EVERYONE HAS AN EXCUSE FOR EVERYTHING. IT IS ALRIGHT TO MAKE MISTAKES. I KNOW THAT I HAVE CERTAINLY HAD AN ABUNDANCE OF THEM IN MY LIFETIME. WE ALL HAVE. BUT, WE CANNOT ERASE THE CONSEQUENCES OF OUR MISTAKES WITH AN EXCUSE. ACCOUNTABILITY MUST BE DEMANDED BY OUR SOCIETY; ESPECIALLY WHEN THAT ACCOUNTABILITY AFFECTS THE MOST HELPLESS OF OUR SOCIETY, OUR CHILDREN.

This body has a most-important task before it. The formulation of sound government policy can be a messy process. The debate has been bathed in misinformation and rhetoric which seems to incite rather than resolve. I am an avid listener of "The Rush Limbaugh" radio show. Once he is one or two hours in to his show, he'll often say good morning to "those welfare recipients who are just getting up". I would argue that this type of comment, and others made like it, simply perpetuate the stereo-types of people involved in social programs. I have written to Mr. Limbaugh time and time again to share some concerns I have about these types of remarks and about the fact that they are not all grounded in fact, but I have never received a response. Programs such as his could help in getting some "real" information out to the public, if they would take the time to put aside assumptions and look at the "big picture".

Reducing the majority, over eighty-seven percent, of cash entitlement payments made in our social programs today involves a simple, mathematical equation. If a welfare payment is to be reduced or eliminated, child support from the absent parent



must be collected. For every dollar of child support collected, a dollar is taken away from the involved welfare payment. This is simple. Title IV of the Social Security Act explains some of this policy, although it seems complicated and rather convoluted in places.

Let us take this opportunity to take steps to insure that child support becomes an issue of importance. A freshman member of this body recently said, "What does child support have to do with welfare reform?" OBVIOUSLY, THIS MEMBER OF CONGRESS DID NOT UNDERSTAND WELFARE POLICIES. This frightens me. Responsible policy cannot be made unless the facts involved are completely understood.

Let us consider several situations which have occurred via present policy. There is a single mother of four children. She has several ex-husbands who do have reasonable child support obligations. She has co-operated fully with state agencies. If the child support payments were collected, she would receive a good deal more than the four hundred and fifty-seven dollar per month payment she currently receives. The agencies have not moved to effectively enforce the support orders.

This same family encountered another problem inherent in today's social programs. The mother contacted her agency eligibility worker to inquire about the possibility of her teen-age son obtaining a part-time job. The worker told her that if he worked and received any income, her family's ADC payment would be reduced or possibly eliminated. When I heard about this I called the agency's communications department. I told them that I was working on my master's thesis and that I had a hypothetical situation I would like them to consider. I relayed the tale of my friend, and several days later I received a call saying that as long as the teen-ager was a high school student, he could work and earn income. The family's ADC payment WOULD NOT BE REDUCED OR ELIMINATED DUE TO THE EMPLOYMENT OF A TEEN-AGE FAMILY MEMBER.

Misinformed, over-burdened agency employees are important to consider when examining the welfare reform issue. Specific, authentic documentation is required from an applicant seeking to receive assistance. If the eligibility process is properly implemented, it would be extremely difficult to fraud the system. But, if workers charged with handling the process are too overwhelmed with the number and complexity of cases they have to handle, fraud is bound to occur.

Misinformed agency workers can trigger a trickle-down effect which can foster generations of welfare recipients. For example, in the aforementioned situation I described, the teen-ager who wanted to work, and with that work would likely receive the opportunity to learn the value of earning money and of

responsibility, would have been denied that opportunity subsequent to an agency worker's expressing misinformation. But instead of perpetuating the feeling of being denied opportunity, the end result of this case was that the teen-ager obtained employment and has maintained that employment since June of 1994. He has been able to earn his own money and has been able to learn the value of work and responsibility, something he has not been able to observe in his own father.

Another case in point: a single-parent family of six was receiving child support but did qualify for some assistance with food expenses. This assistance was vital to the family as the parent was a student, and the children were quite young. This family was blessed to be provided with a vehicle to drive by family members. The vehicle's expenses were exclusively taken care of by the family members and a vital need for the single-parent family had been graciously met. But, due to insurance laws in the state of jurisdiction, the vehicle was titled in the single-parent's name. It was subsequently counted by the local service agency as cash in hand; therefore, the food assistance was terminated. The single-parent appealed to the state agency but lost the appeal. A Mr. Walsh at the Dept. of Agriculture provided a solution to the dilemma. He stated that the family could again receive the assistance if they "moved in to the vehicle and used it as their residence". Policy such as this is regressive and discourages family members from helping each other.

There is much to consider in this debate. There is much that has been said in this debate that should be discounted. Many players in this debate are not equipped with complete, correct information. I would challenge every member of this body to assess their individual knowledge of policy before participating in any vote regarding the welfare reform issue.

Assumptions must be put aside. Preconceived ideas must be purged. The facts must be shared with all involved parties. LACK OF PERSONAL ACCOUNTABILITY ON THE PART OF BOTH PARENTS IS AT THE VERY HEART OF THE "WELFARE PROBLEM". THE GOVERNMENT SHOULD ONLY STEP INTO THE ARENA WHEN THE PEOPLE CANNOT HANDLE A MATTER ON THEIR OWN. A SINGLE-PARENT STRUGGLING TO RAISE A CHILD OR CHILDREN DOES NOT GENERALLY HAVE THE RESOURCES TO PURSUE, EFFECT, DEMAND, AND EFFECTIVELY ENFORCE A CHILD SUPPORT ORDER. THE LAW MUST STEP IN AND DO THIS.

EVERY CHILD DESERVES TO BE SUPPORTED BY BOTH PARENTS WHEN AT ALL POSSIBLE. AN ORDER OF THIRTY DOLLARS PER MONTH SHOULD BE TREATED WITH AS MUCH SERIOUSNESS AND ACCOUNTABILITY UNDER LAW AS AN ORDER FOR THREE THOUSAND DOLLARS PER MONTH. EVERY CHILD DESERVES THE ACCOUNTABILITY OF BOTH PARENTS WHEN AT ALL POSSIBLE, AND WHEN AN ADVERSARIAL CIRCUMSTANCE EXISTS, THE GOVERNMENT MUST STEP IN AND DEMAND ACCOUNTABILITY ON THE

PART OF BOTH PARENTS, NOT JUST THE PARENT WHO "KEEPS" THE CHILD. ANYLESS THAN THIS, AND THE EFFORT TO REFORM "WELFARE AS WE KNOW IT" WILL HAVE FAILED. WITH THE PROPOSALS LEFT AS THEY ARE NOW WRITTEN, WE MAY ADDRESS SEVERAL SYMPTOMS OF THE PROBLEM, BUT WE WILL BE FAR FROM SOLVING THE PROBLEM.

ALTHOUGH EVERY CHILD SUPPORT CASE IS NOT A WELFARE CASE, EVERY AFDC CASE IS A CHILD SUPPORT CASE. THIS FACT IS INHERENT IN PRESENT POLICY; TO IGNORE IT WOULD BE IRRESPONSIBLE, AND TO NOT INCORPORATE CHILD SUPPORT PROVISIONS IN TO THE "PERSONAL RESPONSIBILITY ACT" WOULD LEAVE THE "CONTRACT WITH AMERICA" FUNDAMENTALLY FLAWED.

THANK YOU.

Mr. ENSIGN. Ms. Loendorf, please.

**STATEMENT OF KAROLIN JAPPE LOENDORF, HELENA,  
MONTANA**

Ms. LOENDORF. For the record, my name is Karolin Loendorf, and I am from Helena, Montana. I was a previous welfare recipient. I grew up in Montana not knowing there was even a welfare system.

After going through a divorce with four small children, I learned something the hard way. And to me, it is totally unacceptable. And from that point on, I decided to do all that I could to help other single parents that are out there wanting to work, because there sure are a lot of them.

I guess I would start with when I started getting involved in the Federal and the State government to figure out why they tried to keep people on welfare. It was really—it bothered me that I could not get off welfare.

I found out through Nancy Reeder with the U.S. House of Representatives Youth, Families, and Children Committee that there was a program 4 years ago called the Transitional Child Care Program.

Having to find out about a child care program through Washington, DC, was very upsetting to me. I went to my caseworker, and I asked her if I could then qualify for that program; she said: No, you cannot.

I said: But I have always worked; I want to work; I am not going to raise my family on welfare; that is just not a way of life for me.

She said: Well, because of how much you pay out in day care—I always worked, but it was still on welfare—because of how much you pay out in day care, having your oldest child being 6, you will never earn enough money to get off the system, to have your AFDC case closed because of your earnings. And that was the prerequisite.

And so I said: Well, I will just tell the—I will just put on my report that I do not pay the day care provider that much, and in return it will look like I am earning too much money, and they will have to close my welfare case.

And she pretended that she did not hear that, and that was what I had chosen to do.

In the 12 months being on the Transitional Child Care Program, I opted to purchase health care insurance for my four children, which is about \$150 a month, the reason being, TCC automatically entitles you to Medicaid, but not being raised that way, I just chose to purchase the insurance.

During that year, I saved the State of Montana, as well as the Federal Government, over \$15,000, adding up every EOB I had and paying the health insurance premiums. At the end of the 12 months, I was back in the Governor's office asking him: Why do you want to put me back on welfare? I mean, I had no choice.

At that point in time during the 12 months, he appointed me to the Child Care Development Block Grant Task Force, which was nice, but it did not solve my dilemma. I had to make the choice then to quit my job, go completely back on the system, or work and

go backward. And getting as involved as I did, I chose to work and go backward.

It took the State of Montana three times to apply for the grant before it got approved. After being approved, I was then a lot better off, and I could get completely off the system.

While on the system, I found so many gaps. There was an article in *Fortune* magazine in June 1992 by Christopher Jencks that was probably the most wonderful article I have read for somebody who has never been on welfare.

And he also created a graph that represents a Pennsylvania mom and her two kids, with a working mom and two kids, and I did the same thing with Montana and listed the benefits. And the benefits on a welfare person with children, they are much better off to be on welfare.

I am also on the Board of the Helena Housing Board of Commissioners, and we have people in the office that have to literally advocate for the clients to quit beating their heads against the wall and go back on welfare, because actually, in all honesty, they are taking food out of their kids' mouths and clothing off their backs.

And I just think there are so many programs for welfare, but we do not have the right kind of—we need a reform to better use our dollars. I just do not think that is acceptable. I mean, I know so many people that would love to go out and work.

But in this day and age, when you are forced to quit your job and go on welfare, within 1 year your technical skills are shot. I mean, you have to literally be retrained to keep up with the software and the technology that is out there.

And I guess I am just—I am for welfare reform. I am not really one for welfare, not even knowing it existed in my life. I just hope to bring some light onto the subject.

Even in California, trying to get child support—and not meaning to name a State—but I had to end up writing the Congressman just to get the Child Support Division in California to respond to me, and their only response to me was: We have 21,000 cases, and only 14 caseworkers. It took 5½ years to get child support for the first child, and it took 3 years to get it for the second child.

My only letter to him was: I am sorry. I do not feel the State of Montana or the Federal Government should carry the burden for the cost of my children, when they were not part of the—they did not conceive my child. And that is the time.

[The prepared statement follows:]

Karolin Jappe Loendorf  
P.O. Box 1680  
Helena, Montana 59624

February 2, 1995

For the record, my name is Karolin Loendorf. I am here today because I was once a welfare participant. Growing up in Montana I never knew that there was a "welfare system". Only after going through a divorce with 4 small children did I discover welfare.

I feel I have a great wealth of knowledge to share with you today regarding the many stumbling blocks I encountered in the system. To begin, I appose welfare as most people think of it. It has proven to be a very dysfunctional system and one that creates dependency. There is a desperate need for welfare reform.

It began six years ago. After divorcing I had 4 children to raise, the oldest being six. I had worked all of my life and had great intentions of continuing. In my situation finding employment and child care was not realistic. This bothered me a great deal. I decided instead of pointing a finger at lawmakers who created this system, I was going find a way to educate state & federal lawmakers and help to bring about change in the system. This was not an easy venture and it has taken many years to get here to present my story.

At the time, Montana did not have any child care assistance available, so even though I worked full time and sometimes carried another part time job I was still of full AFDC benefits. Only through Nancy Reeder from the U.S. House of Representatives Select Committee on Children, Youth and Families did I find out about the Transitional Child Care (TCC). I then proceeded to contact my social worker, she said that there was no way I could take advantage of the TCC because the only way one could qualify was if their earnings were so great that their AFDC case had to be closed. She said given how much I paid for child care, I could not qualify. This disturbed me. My only chance then was to report that I only paid my day care provider a small amount of money so that my case would have to be closed.

*"She stated" I did not hear that!*

This is how I first tried to get off the system - however this did not solve my dilemma. The TCC program was a 12 month program which included medicaid for 12 months. Not being raised on welfare I chose to pay for my four children to have health insurance coverage through the office where I still work today. This was a cost of \$150.00 per month for the premiums only. Towards the end of my 12 month TCC, I learned that I was going to be forced back on welfare, as no other resources were available.

I was falling through the cracks. At that time I added up all of my Explanation of Benefits (EOB's) from the health insurance company the children were signed up with and it ended up being a little over \$15,000.00.

I then proceeded to the Governor's office with my bundle of EOB's and met with the lady in charge of Human Services and asked her "Why does the State want to put me back on welfare"? She could not give me an answer. While receiving assistance through the TCC program the Governor appointed me to the Child Care Development Block Grant Task Force (CDBG TF). That was great, but the time had come when I had to choose between quitting my job and going back on welfare or to work and go backwards. Being the independent person I was, I chose to continue working.

The CDBG funds were not granted to Montana until the third time the State applied. So I worked for eight months going into debt, but at the same time keeping my self esteem, self worth and dignity.

The current welfare system is like an old street, there are numerous potholes and each time someone's agenda gets through to the right Department or Person the pothole is temporarily patched.

### **Folks - We need to quit patching potholes.**

I wish more of you could see what my life has been like. There are so many people, that would really like to be out in the workforce, but they get worn out fighting the current system.

I sit on the Board for the Helena Housing Authority in Helena, the office staff to this day advocate to those clients who are trying to get out and work to quit beating their heads against the wall. Clients are told that they can do more for their children being on welfare than they can if they are in

the workforce.

Being a mom of four, I sympathize with the single parents of today! If you choose to try and regain your self worth, self esteem, dignity and self respect and go out and become a tax paying citizen, you then also choose to take food out of your children's mouths, provide less clothing, create more stresses in the home which sometimes leads to abuse, and possibly loose your medical benefits.

**"The Choice is Very Hard - But Very Real"**

Lets switch gears for a moment, you are probably wondering well what about child support - doesn't this mother of four know that the state helps collect child support. Well another long story, but one that needs some major revamping just like the welfare system.

**Child Support Flaws:**

This is **Critical** for meaningful welfare reform. My story which is very similar to others around the United States is unbelievable. It took 5 and a half years to finally receive my first child support check for my eldest daughter. When I had our son, it took almost three years to get child support. It would have taken even longer had I not **worked my own case**. I sent a letter to the State of California and stating that I did not have the desire to live on welfare and that it was not fair to my children to be forced to live that way. I stated in a letter to the Family Support Division that the State of Montana had no part of in conceiving my children and I did not feel it fair for the State of Montana to have the burden of the costs of raising my children. I felt that it was my responsibility as well as the absent parent's responsibility to take care of the children.

I sent this letter four different times, only to get no response. I then sent a note to the investigator stating I would be in touch with his Congressional delegate. The response I received from this person was this "Your case is one of the 21,000 handled by 14 workers. With the extraordinary size of caseloads we simply cannot respond to each document, especially if we shouldn't be receiving them".

So in the meantime when we keep families on welfare, waiting for a child support office to handle it's case load, whether it takes them 3 or 5 years, the arrearages build on ones AFDC case. Even when the State of California had legal documents to begin taking payments from the absent parent, it did not happen for over two years. When a family finally gets a job, if their child support collection date falls on the wrong day of the month - that money goes directly to the State to pay arrearages, it does not even reach the family. The States tell these people over and over again that because of the Federal Regs, they have to go by the date the money is collected in the State the absent parent resides. This can instantly put one right back in the welfare saddle.

The most recent check that I recieved for my child support was just the other day (January, 95) It is in the amount of \$12.00.

This check started:

- 1) By being garnished from absent parents wages
- 2) District Attorneys office then sends it to the states child support division where it is recorded
- 3) Check is then sent to the other states child support office
- 4) From there it is recorded and sent to the State Auditors office
- 5) Finally the check is cut and sent to the custodial parent

**It undoubtedly cost the taxpayers more to cut this check than the amount collected.**

Today we have professional lobbyists who lobby for major companies, organizations, departments, etc., They too have a set agenda and often times the people who are being served are being the ones left out. Until we get to the root of the problem, and find out first hand with the people who have been through this system and the trials they have had to become self sufficient, We have nothing. We seem to only get certain pieces of the puzzle, to put a productive system together it is going to take every single piece of the puzzle.

**THE PITFALLS**

\* The Federal Collection date - child support should go to pay support first to the families before going to arrearages, and if there are more dollars sent for that particular month then that money can be sent to state arrearages.

\* Never enough child care assistance for either the working poor or for those who need and want to further their education.

\* Re - Educate Social Workers in the welfare system - they do not encourage self-sufficiency. This may take some re programming.

\* Children who come from a family that's been on welfare for generations do not have a chance, they see nothing else in life, they are not taught nor do they see what Self Esteem, Self Worth, Dignity or Self Respect is all about. INTERVENTION is necessary here so that these children are given an opportunity to realize their potential. They are set up to fail and that is not acceptable.

\* A 2 year time limit is not good - each and every case is so different and I feel that we could hurt the children of the United States.

\* The AFDC benefit package out weighs the working package by far.

### RECOMMENDATIONS TO IMPROVE WELFARE

1) Based on my experience, Public Housing for me was a positive and constructive subsidy and it allows individuals an opportunity to get off the system. Public Housing does not need to be included in reform.

I have been involved with the National Association of Housing & Redevelopment Officials (NAHRO) as well as HUD and respect their work on behalf of clients who live in Public Housing. Public Housing has come a long way. In Montana we have very positive programs such as the Youth Sports Grant, the Drug elimination grant and these grants should not be combined with other programs.

2) If a recipient moves from one state to another, have at least a one year time limit for any kind of benefits, just like the educational system does. People are going from State to State to gain more benefits.

3) Allow Housing Authorities to either create a rent structure or discuss capping rents for at least 18 months so people have a chance to achieve independence.

4) Stiffer Child Support laws.

5) Give the states a time limit on establishing paternity. Don't penalize a single parent family until the state has met its burden on collecting child support for the children.

6) If the State is having problems collecting consistent child support it should make the support payment. If it then takes the absent parent 45 years to repay the government then fine, but force the absent parent to acknowledge that they will be paying now or forever.

*I've seen so many cases where the absent parent is always on the run, or works under the table, or is self employed and finds ways to get out of their obligations.*

The last time I had a child it took two people and the stigma in this seems to land in the hands of the mom, most times. (I commend those fathers who raise their children they do exist and never seem to get the credit they deserve).

7) Place jurisdiction with the child - Meaning if the child were conceived in Illinois where my last one was and the father lives in California and the mother lives in Montana, before that unborn child is even born, let the state where the mom gives birth have jurisdiction. It would help communications across state lines.



Mr. ENSIGN. Thank you very much for your testimony.  
 Ms. Corder.

**STATEMENT OF SANDRA M. CORDER, FALLS CHURCH,  
 VIRGINIA**

Ms. CORDER. Good afternoon. My name is Sandy Corder, and I reside in Falls Church, Virginia.

I have proposals here on the welfare reform. I guess I need people to understand that not everyone on welfare is lazy or shiftless or—there are a lot of married women or women that were married, ex-military wives, and all those aspects, when you gentlemen are talking about welfare reform, you never bring that into view, OK, and that needs to be known, that there are a lot of ex-military wives whose husbands have abandoned their families and gone off to live their own lives. The military is not made to make these men to be responsible.

And so very quickly I will go through the major points of my proposals.

The fact that DHD and/or Child Support Services should move immediately on information provided on a negligent absent parent.

The military should also be made to comply with such regulations. And under cases of abandonment, dependents should be allowed to reside in military quarters with the sponsor paying a stipend until an official divorce decree and/or dependent spouse is financially stabilized.

If it is proven that there is an involvement of a third party and dereliction of responsibilities, that person should also be held liable for financial obligations.

In cases of abandonment, the court should have the power to intervene immediately in hardship cases.

The military should be required to assist women in the location of personnel who has fathered a child. Status of duty should not be a deterrent.

There should be a bipartisan outside agency to monitor social workers and to assist clients with valid grievances.

Proprietary schools receiving Federal and State moneys and student loans should report students who are single/head of household with children. If such student is not adequately trained and/or employed in the field of training within 6 months of graduation, the school should reimburse those moneys. This action would also ensure a drop on student loan defaults.

Recipients should be allowed 1 weaning year of employment in repayment of student loans, 1 weaning year on Medicaid, and 6 months in the Food Stamp Program. This allows them time to adjust to financial responsibility, as well as independence without having the rug being pulled from under them all at once.

Continuance of Medicaid and/or an amendment where an employed recipient could contribute a certain percentage of pay, which would, one, alleviate some of the burden on government and, two, allowing a parent a better choice of physicians as well as a dental plan.

Food Stamp Programs could be revived as a co-op of sorts. Example: A recipient may require \$250 per month to adequately feed a family. USDA allots that amount with the recipient paying USDA

\$125, thus steering recipients toward independence and a feeling of self-worth.

Girls age 17 and under who become pregnant and their babies should be the sole responsibility of both sets of parents, grandparents, whose names should be registered upon birth of baby and until the boy can shoulder his responsibility.

If the male involved is legally an adult and jobless, he should be required to work for the State or city until he becomes financially responsible for his child. If work consists of him going out there and picking up the litter from the byways and highways, then so be it.

Recipients with children age 4 and under should be treated as day care providers, thus enabling them to earn their allotted grant and provide a service for other recipients. Taking children from their families, OK—I mean, there are the wealthiest families, their children are not happy, OK.

These are valid proposals from someone who has been through the range of the system. I am in default with a student loan. I had a 4.0 GPA. My social worker and my case manager at the shelter told me school was no longer an option for me; I should be working now. I have been looking for a job for 2 years, you know.

The last one is, also in the case of pregnancy after forced sex, offenders should be made public and be responsible for the child or jailed and fined. And I bring that up, because my baby will be 2 in June, and his father forced himself on me. I did not abort Brandon, because I did not have the money. And I came close to giving him up for adoption. But he is a blessing.

But the military will not assist me, and nobody really cares, you know. So let us stop talking about everything like it is a group thing. There needs to be a process of elimination. That is what it comes down to.

[The prepared statement follows:]

TESTIMONY OF SANDRA M. CORDER  
FALLS CHURCH, VA.

PROPOSALS ON WELFARE REFORM

1. (A) DHD and/or Child Support Services should move immediately on information provided on negligent/absent parent.

(B) Payment should be deducted from paycheck of spouse/parent who abandons a family with children.

(C) Military should also be made to comply with such regulations and under cases of abandonment dependents should be allowed to reside in military quarters (with sponsor paying a stipend) until an official divorce decree and/or dependent spouse is financially stabilized.

(D) If it is proven that there is involvement of third party in dereliction of responsibilities, that person should also be held liable for financial obligations.

(E) In cases of abandonment the court should have the power to intervene immediately in hardship cases.

2. The military should be required to assist women in the location of personnel who has fathered a child, status of duty should not be a deterrent.

3. There should be a bipartisan outside agency to monitor social workers and to assist clients with valid grievances.

4. (Proprietary) schools receiving federal/state monies in student loans should report students who are single/head of household with children. If said student is not adequately trained and/or employed in the field of training within six (6) months of graduation the school should reimburse said monies. This action would also ensure a drop on student loan defaults.

5. (A) Recipients should be allowed one "weaning" year of employment in repayment of student loans; one "weaning" year on medicaid and six (6) months in the food stamps program. This allows them time to adjust to financial responsibility as well as independence without having the rug being pulled from under them all at once.

(B) Continuance of medicaid and/or an amendment where employed recipient could contribute a certain percentage of pay which would: (1) alleviate some of the burden on government and (2) allowing a parent a better choice of physicians as well as a dental plan.

(C) Food stamps program could be revived as a co-op of sorts. Example: A recipient may require \$250 per month to adequately feed a family, USDA allots that amount with recipient paying USDA \$125 thus

steering recipient towards independence and a feeling of self-worth.

6. (A) Girls, age 17 and under, who become pregnant and their babies, should be the sole responsibility of both sets of (grand)parents, whose names should be registered upon birth of baby and until the boy can shoulder his responsibility.

(B) If the male involved is legally an adult and jobless, he should be required to work for the state until he becomes financially responsible for his child. Work could/would consist of picking up litter from the byways and highways.

7. Recipients with children, age 4 and under, could/should be trained as daycare providers, thus enabling them to earn their allotted grant and provide a service for other recipients.

8. All persons residing in subsidized housing where rent is only 30% of income, should pay a housing tax of \$25 every six (6) months which could be re-circulated into federal/local housing programs.

8. Some form of tax incentives for companies that provide some form of daycare provisions for their employees.

9. An increase of minimum wage for persons 18 years and older with children.

10. In the case of pregnancy through forced sex, offender should be made public, be responsible for the child or jailed and fined.

These proposals are a result of my pain and experience as a woman forced on welfare by the very people that earn a living getting people into society.

Mr. ENSIGN. Thank you all for your testimony.

Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Ms. Corder, were you married when this pregnancy took place?

Ms. CORDER. I beg your pardon?

Mr. FORD. Were you married at the time this pregnancy took place?

Ms. CORDER. The baby? No, sir.

Mr. FORD. Yes. Were you married when you had the baby?

Ms. CORDER. Brandon.

Mr. FORD. Were you married?

Ms. CORDER. No.

Mr. FORD. You were not?

Ms. CORDER. No. I was—my daughter and I were homeless. We were living in a motel. We had to leave the shelter because I am not a kiss-butt kind of person, and I was not jumping through the hoops for my social worker or case manager, OK. Like I said—

Mr. FORD. I am just trying to find out from the benefits. Your kid is how old now?

Ms. CORDER. Brandon will be 2 in June.

Mr. FORD. Two in June. You are currently on welfare?

Ms. CORDER. Yes, sir. I was forced on welfare.

Mr. FORD. Pardon me?

Ms. CORDER. I was forced on welfare. When I got to the family shelter in 1992, I had a job, and I was going to school part time evenings. I had a 4.0 GPA. I was to graduate 1 month later. I was denied returning to school.

Mr. FORD. Well, why did you not stay in school? I mean, welfare did not take you out of school.

Ms. CORDER. You are not listening. My case manager at the shelter—when you are in a shelter, you have to do what they tell you to do; you do not have your own life.

Mr. FORD. So what did he tell you to do?

Ms. CORDER. School was no longer an option for me.

Mr. FORD. So what was an option? I mean, what was the requirement—

Ms. CORDER. For me to go to McDonald's and work.

Mr. FORD. All right.

Ms. CORDER. OK? And my social worker agreed with him. And then the school turned around—

Mr. FORD. What year was this?

Ms. CORDER. I beg your pardon?

Mr. FORD. What year was this?

Ms. CORDER. 1992.

Mr. FORD. In 1992.

Ms. CORDER. Yes. And in August 1992, we had to leave the shelter, because, like I said, I am not a kiss-butt person.

Mr. FORD. So what are you doing now?

Ms. CORDER. Trying to find a job.

Mr. FORD. Trying to find a job.

Ms. CORDER. Which is another problem, because when I was not allowed to finish my classes—

Mr. FORD. Are you drawing welfare now?

Ms. CORDER. I beg your pardon?

Mr. FORD. Are you drawing welfare?

Ms. CORDER. Yes, sir.

Mr. FORD. What if you had the minimum wage job? Just use your case. What if you had the minimum wage job or right above it, paying \$9,000 a year, the earned income tax credit with—

Ms. CORDER. Sir, before my ex-husband got his divorce, I had a good job, OK, and I had to give it up because—

Mr. FORD. No, I am saying—

Ms. CORDER. I had a job that paid \$5 an hour with my three children. If that \$5 an hour was sufficient, I could have taken care of my three children, paid a \$750 rent, and taken care of the utilities.

No, sir. I am 38 years old. I should not be on welfare. I had reached my goal.

Mr. FORD. What is your monthly allotment now from the cash assistance from AFDC?

Ms. CORDER. Right now, \$457, and that is going to go down because my two younger children—

Mr. FORD. \$457. What is your food stamps allotment?

Ms. CORDER. \$212.

Mr. FORD. \$212. Do you receive any housing assistance?

Ms. CORDER. No.

Mr. FORD. And you are under Medicaid, right? You have Medicaid coverage, right?

Ms. CORDER. Yes.

Mr. FORD. Which is about \$100 per person per month.

Ms. CORDER. Well actually the only person that really goes to the doctor is the baby.

Mr. FORD. Well, I am just saying that is what it balances out for the Federal Government. So your income per month is approximately \$867 a month; is that correct?

Ms. CORDER. Yes, sir.

Mr. FORD. Counting your Medicaid. I am saying a minimum wage job with a family of two, the earned income tax credit for a family of two is about \$2,300. You could receive that stipend monthly; \$8,800 a year on minimum wage. Earned income tax credit is about \$200 per—a family of two per year.

Ms. CORDER. Sir, excuse me.

Mr. FORD. That would be about \$11,000 a year versus approximately about \$10,000. It would be a little bit more attractive—

Ms. CORDER. Excuse me, sir.

Mr. FORD. Yes?

Ms. CORDER. Mr. Ford, OK, let me clarify something to you. I understand what you are saying. But did you hear what I said?

I had a 4.0 GPA. I should be making a minimum of \$8 right now, OK. That was taken away from me for the people that you, the taxpayers, are paying, that are supposedly to be helping people like me.

Excuse me. I am 38 years old, OK. I am in default because of someone else. So if I start working, guess what the Department of Education is going to do? Garnish my wages.

So you tell me, when I know that I could be making a lot more than minimum wage, you want me to settle for minimum wage? I have two other children. They are not with me anymore, because

we live in a two-bedroom apartment that housing could not find for us until I passed out in a politician's office from being pregnant.

I am sorry, sir. I will sit right here and tell you, I will not settle for a minimum wage job. I have worked too hard; I have gone through too much, and too many people have taken things away from me, sitting up there making decisions about my life and my children. No, sir, no!

Mr. FORD. Ms. Cave—Mr. Chairman, I would like to have 1 additional minute—Ms. Cave, let me ask you, are you a welfare recipient?

Ms. CAVE. No, not right now.

Mr. FORD. You are not.

Ms. CAVE. No.

Mr. FORD. Have you been on welfare before?

Ms. CAVE. Yes.

Mr. FORD. How many children do you have?

Ms. CAVE. Five.

Mr. FORD. You have five children?

Ms. CAVE. Uh-huh.

Mr. FORD. And you are now gainfully employed?

Ms. CAVE. No. I am a graduate student.

Mr. FORD. You are a graduate student?

Ms. CAVE. Uh-huh.

Mr. FORD. But you are no longer on AFDC?

Ms. CAVE. No.

Mr. FORD. What sorts of income do you have?

Ms. CAVE. Child support.

Mr. FORD. Child support for all five children?

Ms. CAVE. Yes.

Mr. FORD. And before you were receiving child support payments, what type of public assistance were you receiving? AFDC, I mean, but what amount were you receiving?

Ms. CAVE. For four children, it was \$457, and that is where it stopped.

Mr. FORD. And what do you receive versus your child support now?

Ms. CAVE. Right now, I receive \$660, and \$480 is child support.

Mr. FORD. Right. Now paternity, should that be—can that be established when the mother cooperates fully with the State or the authorities to give all of the information that is needed to establish the paternity?

Ms. CAVE. It is supposed to be. Unless you have a compelling reason not to that you can document, you are supposed to determine paternity when you fill out the applications. You are supposed to name the father.

Mr. FORD. All right. And in your case, what if you fully cooperated with the State or the proper authorities, and they were not able to determine the paternity at the time of birth, should you or that person be denied any type of benefits because the State or the authorities are not able to do their job fully when you, the mother, cooperated fully with the State?

Ms. CAVE. Well, I am not sure if I understand your question, because at the time of birth, the mother can name the father and put them on the birth certificate.

Now if you are married, which I was, automatically——

Mr. FORD. That automatically goes——

Ms. CAVE [continuing]. The father is named in paternity.

Mr. FORD. Right. But what about in those cases where it might not be as clear? The person is not married.

Ms. CAVE. I think——

Mr. FORD. But she fully cooperates in trying to identify or name the father, but paternity cannot be established. Should that child of those persons be cut off of benefits?

Ms. CAVE. No. And, Mr. Ford, I think that would be a very small exception where you cannot determine paternity. I mean, there are cases where people do not want to; there are cases where there might be abuse involved, and that is again the exception.

The majority of cases, you go in, and you need to apply, and you know who the father is, or you have a pretty good idea, or you can get a test done.

Now if the mothers should be accountable to do their part and do what they need to do, and that is not always the case. But I think there needs to be accountability on both sides, not just the person who keeps the child or children.

Mr. ENSIGN. The gentleman's time has expired.

I just have a couple of questions. I am so happy that Chairman Shaw has brought panels like this forward, because they are—they are real-world testimonies, and I think it is very important for us to hear this.

I come from a single mom type of a home, and child support was a big deal when we were not receiving it, and so I understand some of the things.

And, Ms. Loendorf, I also understand what you went through, because I had a mom that just absolutely refused to go on welfare, especially 30 years ago when it was unacceptable.

And I think that the point that you bring up about there being a lot of good people in a bad system, and I think that not only are there a lot of good people receiving welfare in a bad system, and you point out some of the faults with the system; such as, you have to qualify through umpteen different programs to be able to get help, and that there is not a lot of coordination between those.

But there are also a lot of good people delivering that welfare in a bad system. And so they end up looking bad, and they end up looking like they do not care, and they are caught up in these bureaucracy, and that is an unfortunate point.

I think that the testimonies that you have brought forward do point out some of what we need to straighten out. I am glad we are having these hearings on the child support enforcement, but I also think that what you point out is one of the reasons that it is important to get it back to the local and the State level, because it is much easier to coordinate from that level. Because, where government is more local, it is also more accountable, and people like you can go down and at least have that much more say than coming up here to the ivory towers of Washington.

Yes, Ms. Cave.

Ms. CAVE. But right now, most of the programs are implemented by the States and the local counties; right now they are.



Mr. ENSIGN. But they are designed here at the Federal Government, and it may take years for waivers, and we tie their hands so much from the Federal Government standpoint. You have seen a lot of successes in the States that have gotten these waivers to be flexible, and that is what we are trying to give, is instead of them having to spend a lot of the States' taxpayers' dollars to come here to get those waivers, we are trying to automatically grant them those waivers with some guidelines and with some safety nets in there.

Ms. CAVE. Except it is going to be very——

Mr. ENSIGN. Ms. Loendorf.

Ms. LOENDORF. If I could make one statement? I have no problem with giving the States the authority. But if the State is going to have the authority, getting back to Mr. Ford's questions, establishing paternity with the State of California took well over 5 years, and the second child, it took 3½ years, and I worked my case, and I pushed it.

Mr. ENSIGN. Yes. Those are some of the guidelines that certainly need to be put in.

Ms. LOENDORF. And if somebody—I do not think—I am not for welfare, but I do not think you can put a limit on 2 years either, because sometimes—I am losing my train of thought—the State needs to take the responsibility of giving the leeway. Until paternity is established, I think the State should help out that person.

I mean, I feel for the people out there. I do not want them to get dumped or, you know, those kids. The kids are the big thing with me. I do not want any kid to suffer because of the welfare reform cuts that are coming.

But definitely welfare reform does need to be made. But the State also needs to have a time limit, if I could say it that way, to establish the paternity, like within 1 year.

Mr. ENSIGN. And I think that some of the technology may in the future change some of the provisions.

I want to thank the panel very much for your testimony.

We would like to call the next panel forward, please: Gary Tester, the regional director, Boysville of Michigan; Jerry Dooley, member, Citizens Jury on Welfare Reform, Jefferson Center, Rochester, Minnesota; Catherine A. Young, vice president, Women's Freedom Network, Washington, DC.

Welcome, panel, and just to remind you that we do have a 5-minute rule, that we have still a lot of witnesses that want to testify today. The yellow light will come on when there is approximately 40 seconds to go, and we will have to hold to the 5 minutes.

And why don't we proceed with Mr. Tester.

#### **STATEMENT OF GARY TESTER, REGIONAL DIRECTOR, BOYSVILLE OF MICHIGAN, CLINTON, MICHIGAN**

Mr. TESTER. Good afternoon. Thank you for the opportunity to testify on this matter.

There certainly has been compelling personal testimony this afternoon, and I am coming from the position of a program administrator for a large child welfare agency. We provide residential and in-home services for thousands of families in Ohio and Michigan. And certainly the issue of welfare reform is something that we sup-

port. I would agree that there are not very many people who would not.

However, there are issues that we would like to ask you to consider. We offer our hand, as a child welfare agency, in working with Members of Congress to look at this difficult issue.

We often have brought to our attention children who come to us through the Department of Human Services, the Children Services Board, or the juvenile justice system. These children come from families that have experienced extreme dysfunction.

Approximately 80 percent of the children we work with have been sexually and/or physically abused. We also see children who have been involved in families with long histories of criminal involvement. We have approximately 75 percent of our children coming from homes in which at least one parent is addicted to alcohol and other drugs.

As an agency, we are dedicated to working with families in the hope that we can help the children and families to be reunited and to be productive and comfortable in working in society. Our ability to carry that mission out is very much dependent upon our ability to work effectively with other systems.

It is not at all unusual for us to have a child in treatment, receiving alcohol and other drug treatment services and other counseling, while living with us in a residential center when we are offering them vocational training, and we are working with their parents through another agency to provide them alcohol and other drug treatment and family counseling as well.

It is clear based on the testimony that I have heard today, and I am certain on the testimony that you have not only heard at this point but will continue to hear, that this is a very complex issue.

Our encouragement is that consideration be given to how broad these issues are, how complex the solution must be, and to making certain that as States receive more and more empowerment to address these issues at the local level, that they are also encouraged to take into account the complexity of the situation.

I would also like to address very briefly the issue regarding the possibility of substance abuse treatment and testing for individuals receiving assistance. An earlier person noted that addiction is a disease. And I would simply point out that we would not withdraw benefits from someone who had a heart condition if 2 years after they received bypass surgery, they needed more bypass surgery.

It is very frightening when we consider that we may have individuals who are doing their best to stay sober and, are having a difficult time and face the prospect that within 2 years they may not be eligible for benefits as they try and stay sober.

We support the idea of accountability for families. We support the idea of providing them all the assistance and training and counseling that we can. And we just simply ask that as these issues are considered, that the Members of Congress take into account how complex the issues are, and that we try and build a system at the State level that will allow us to work effectively with these families.

Thank you.

[The prepared statement follows:]

**TESTIMONY OF GARY TESTER  
BOYSVILLE OF MICHIGAN**

My name is Gary Tester. I am a representative of Boysville of Michigan, and on behalf of Boysville, I would like to offer testimony to the Ways and Means Committee regarding proposed welfare reforms.

Boysville of Michigan, established in 1948, is Michigan's largest Catholic-oriented, not-for profit child caring and family preservation agency serving children and families throughout the state of Michigan and also in 19 counties in northwest Ohio.

Boysville originally opened in 1948 as an orphanage/boarding school for young men under the administration of Notre Dame Brothers of Holy Cross. As society's problems grew in scope over the years, so did the problems of young men admitted into the program. By the early 1970's, delinquency became a significant statewide problem, and Boysville began transitioning the original boarding school into a residential treatment center. The focus moved from providing basic care to offering special treatment services to help youngsters deal with their problems.

Long a pioneer in residential services for troubled and delinquent youth, Boysville recognized that the family must be involved in the treatment process if significant changes were to occur. As a result, the agency initiated an innovative family work approach in the early 1980's which served as a catalyst for a total agency shift toward more family-centered, community-based services. Boysville developed a spectrum of services for both girls and boys including therapeutic foster care, intensive family preservation services, chemical dependency treatment services, reunification services, and other community-based programs.

Currently, Boysville offers fully-accredited residential and community-based programs throughout Michigan and northwest Ohio, serving more than 1400 girls, boys, and their families on an annual basis. Our mission, at all times, is to do everything we can to assist families in their home environments so they have an opportunity to become productive, self-sufficient members of society.

After working almost fifty years on difficult children's issues, Boysville applauds that the well-being of children and families increasingly is a focus of national attention. As more and more people express their frustration with the failings of the welfare system, high rates of illegitimacy, irresponsible parenting, poor schooling, drugs, and violence, there is now an opportunity to open rational dialogue about necessary and humane reforms in the welfare system. We recognize there are no simple solutions to complex human problems, and while it is tempting to look at quick fixes and short term solutions, we must resist that temptation. Children's welfare should always be the underlying principle in welfare reform.

We are concerned that parts of the "Contract with America," released by the U.S. House Republicans on September 27, 1994, fail to conform to that underlying principle. We refer specifically to sections of the "Personal Responsibility Act" which contains a series of welfare reform initiatives which would substantially reduce a wide range of benefits for poor children.

According to a November 22, 1994 report released by the Center on Budget and Policy Priorities, if the welfare reform proposals were fully in effect today, at least 2.5 million families and more than 5 million children currently receiving assistance would be ineligible for benefits. The proposed reductions in Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), Food Stamps, and Medicaid are estimated to be twice the size of cuts made in these programs in 1981 and 1982, when the deepest reductions in poverty programs in the last three decades were made. This is very troubling, as are the following proposed changes in public assistance programs.

### Key provisions of proposed changes:

- States would be permitted to eliminate all of AFDC benefits to families who have received aid for two years provided an individual had been required to participate in a work program for at least one year. States would be required to deny aid to anyone who had received aid for five years. The limit would be cumulative over a person's lifetime. There would be no exceptions or extensions to the time limit.

Recipients willing to work but unable to find an unsubsidized job to support their children--including those who had worked for several years in a subsidized work slot--would be denied all aid once they had passed the time limit. No exceptions would be made for temporary disability or the need to care for a disabled family member.

- States would be required to deny income assistance and housing benefits to any child born to an unmarried mother younger than 18; states could choose to deny benefits to a child born to an unmarried mother younger than 21.

The child would be permanently ineligible for AFDC unless the child's mother married the father or another man who legally adopted the child. Current recipients in this group would continue to receive benefits. However, if an unmarried teen mother had a child, went to work, and needed help five or ten years later, the state would be prohibited from income assistance.

Savings realized by the denial of support for those children could be used by states for a range of purposes, including the establishment and operation of orphanages, group homes for unwed mothers, the promotion of adoption, and programs to reduce out-of-wedlock births. States would not be permitted to use the savings for cash assistance to the families or for abortion or abortion counseling.

- Benefits for a child whose paternity is not legally established would be denied, except in the case of rape, incest, or a state determination that establishment of paternity would result in physical danger to the mother.

These children would be denied benefits until paternity was legally established even if their mothers cooperate with state efforts to establish paternity. The Center for Law and Social Policy estimates that if this provision had been in effect in 1992, approximately 123,309 Michigan children receiving AFDC would have been denied benefits under this provision.

- Children born to families receiving AFDC would be ineligible for aid.

States would be required to deny aid to any child born to a family receiving AFDC and to any child born to a family which received AFDC at any time during the ten-month period preceding the birth of the child. If a family received AFDC at any time during a pregnancy, aid would be denied even if the family was not receiving AFDC at the time of conception or time of birth; aid would be denied to the child even if the next application occurred five or ten years later.

- Most legal immigrants would be ineligible for assistance under 60 federally funded programs.

One year after enactment of the proposal, most legal immigrants would be ineligible for income and food assistance (including WIC for pregnant women and infants), child immunizations, child care assistance, screening for lead poisoning, job training, housing, foster care and adoption assistance, and emergency food and shelter programs. Legal immigrants disabled in the United States would be ineligible for SSI benefits. The only exceptions would be for refugees during this first six years in the United States and persons over 75 who were admitted for lawful permanent residence and had resided in the United States for five years.

- **States would be required to establish a work program and meet escalating participation standards for the percentage of recipients working 35 hours a week in exchange for benefits.**

States could require 35 hours of work per week in a state-run work program as a condition of eligibility for aid. At the average Michigan AFDC grant level (\$459 a month), this would translate to "earnings" of \$3.03 per hour. Some analysts have estimated that the administrative and child care costs for implementing this provision could double the current cost of AFDC. A state failing to meet the work participation rate would suffer fiscal penalty. The magnitude of the penalty is unclear; the bill provides for a 25 percent reduction in payment to the state, but the amount to be reduced by 25 percent is unclear.

States would be prohibited from providing direct support, child care, or transportation to "nonwork activities" such as education and training for more than 24 months after the effective date of the Act.

- **Most of the rules for the Job Opportunities and Basic Skills Program (the MOST program in Michigan) would be repealed.**

States would not be required to provide any basic education services, occupational training, job search assistance, or English language classes. No recipients would be exempt from the MOST program based on disability, or the age or disability of a child.

- **Under the welfare reform proposal and other initiatives, ten federal food assistance programs, including Food Stamps, WIC, the school lunch and breakfast programs, elderly nutrition and The Emergency Food Assistance Program (TEFAP) would be combined into a block grant to the states and capped at levels significantly below current spending on these programs.**

The formula for setting the maximum annual allocation for the block grant would be based solely on population growth and changes in food prices, thus preventing federal funding for expansion of assistance in times of greater need. Federal appropriations would be discretionary, allowing Congress to appropriate less than the amount that could have been appropriated under the formula in any year. The Center of Budget and Policy Priorities estimates that over a four-year period, the proposed funding formula for this provision would reduce federal spending for food and nutrition programs by \$18 billion below projected spending under current law. While the block grant would require a certain set-aside for WIC-type programs, school breakfasts and lunches, child care programs, and summer food programs for children, there would be no requirement for states to have a Food Stamp program.

- **Total federal spending for many programs would be capped.**

Effective Fiscal Year 1996, total federal spending for a combination of programs could not exceed estimated spending for the prior year, adjusted for inflation and changes in the poverty population. The affected programs would be AFDC, the AFDC work program, Child Support Enforcement, AT-Risk Child Care, SSI, and 15 housing programs (including public housing and Section 8 housing).

- **States could choose to receive AFDC funding in block grant form.**

Any state electing the block grant option for its AFDC program for needy families would be eligible to receive 103 percent of its Fiscal Year 1994 funding, with no cost-of-living, population, or poverty population adjusters. Since the proposal would end AFDC entitlement status, a state electing this option would have no assurance of receiving this level of funding beyond the first year. If the Secretary of Health and Human Services determined that a state electing this option had expended "any amount" for a purpose other than to carry out a program of cash benefits to needy families with children, the Secretary would be required to reduce the amount payable to the state by 20 percent.

**e Substance abuse testing and ineligibility for benefits are proposed.**

Each individual the state determines to be addicted to drugs or alcohol must agree to participate in an appropriate addiction treatment program (if available) and agree to alcohol or drug testing during and after such participation. Failure to comply would result in ineligibility for assistance for two years.

(Sources: The Center on Budget and Policy Priorities, the Center for Law and Social Policy, the Center on Social Welfare Policy and Law, the Children's Defense Fund, and the Michigan League for Human Services.)

In the coming debate over welfare reform, Boysville hopes that we all can agree to launch a national campaign that will provide meaningful reforms while supporting the value of family and fulfilling our responsibilities to America's children. As Hillary Rodham Clinton states, "too often in the past, we've assumed that only the family, or only the government, was responsible for ensuring the well-being of children. But personal values and national policies must both play a role." Government can either support or undermine families, and it is an inescapable conclusion that our children's future is shaped both by the values of their parents and the policies of our nation. We must tread wisely.

Submitted February 2, 1995

Mr. ENSIGN. Thank you.

Mr. Dooley.

**STATEMENT OF JERRY DOOLEY, MEMBER, CITIZENS JURY ON WELFARE REFORM, JEFFERSON CENTER, MINNEAPOLIS, MINNESOTA**

Mr. DOOLEY. Thank you for the opportunity to address the Committee today.

In June 1994, my role as a juror on the Citizens Jury debating national welfare reform was one of the most exciting, stressful, and frustrating experiences in my life as a citizen. I was chosen to participate on the Citizens Jury to hear the facts and make recommendations on the need for reform of our national welfare policies. All jurors were selected at random from the First District in Minnesota, and the Jury was balanced to resemble a microcosm of the public.

The jurors spent a full week studying the issue with input ranging from national experts like Congresswoman Jan Meyers, Minnesota Governor Arne Carlson, and White House Advisor Bruce Reed, to local program administrators and actual welfare recipients.

After experiencing the stress of trying to digest 5 days of testimony and statistics, I came to the conclusion that there is no one answer to fit every situation. With 18 jurors, we had 18 opinions on almost every point we discussed. I think I learned a bit about what it must be like to be a Member of Congress.

We eventually agreed upon four objectives which should guide the policymaking on this issue.

The Jury's first objective was that above all welfare should lead toward self-sufficiency. Today's welfare system has created attitudes which encourage long-term dependency. Welfare should be a transition, and we should do more to encourage and facilitate employment. We should change the disregard formula, so benefits are not reduced dollar for dollar with every paycheck earned. Making work more profitable than welfare means not only increasing opportunities and benefits for those who work, but reducing benefits for long-term recipients.

The Jury was impressed with State plans like Minnesota's and Wisconsin's, which emphasized tailor-made contracts for each family. The welfare system needs to be able to adapt to individual needs, and these contracts should include incentives for fulfilling the contract, as well as penalties for noncompliance.

The Jury makes these recommendations based upon the belief that every able-bodied person should be required to work. Recipients who are unable to find work in the private sector should receive employment opportunities provided by the State in the form of government-subsidized jobs.

The Jury felt that many welfare programs, while well-intentioned, send the wrong message to the public and encourage behavior inconsistent with our cultural values.

The second objective was to hold parents accountable for the care of children and to promote policies that encourage the preservation of the family unit and instill moral values. The present system, in practice, assigns mothers the sole responsibility of child rearing.

The Jury supported the use of any and all means necessary to enforce child support payments for all children. A key component would be a national database to track deadbeat dads across State lines. Early intervention programs like Head Start are needed to more directly address the needs of the children who are the real victims.

The Jury had grave concerns with giving cash benefits to teenage mothers and supported terminating AFDC payments to individuals under 18, assuming that a custodial adult is available for the minor parent. Statistics indicated to us that both the parent and the child in this case are being victimized by the system. The welfare system should not give teenage parents any additional incentive to form an independent household.

Our third objective was to use existing money more effectively. Today the system exists to serve itself and not the needs of the people. The advantages of modern technology and the information superhighway should extend to welfare recipients in the form of one-stop shopping and more timely benefits. In addition, there should be—more should be done to help the working poor before they are forced to go on welfare.

Finally, as our fourth objective, the Jury voted to give State and local governments more authority to design and administer welfare programs. The Jury felt strongly that there is no standard solution to the welfare problem. Local governments are in a better position than the Federal Government to tailor welfare programs to the specific needs of their constituents.

Therefore we should first expedite the system of granting Federal waivers to States. And the Jury also liked the idea of replacing federally mandated programs with block grants to States. However, standard benefit levels should be set for all 50 States to alleviate the problem of interstate migration.

The Jury believed that reform could be accomplished without securing additional funding. However, if funds are necessary, we would support a tax increase, as long as additional methods of raising revenue are examined, including cutting non-means-tested entitlement programs for wealthy individuals and limiting SSI benefits for legal immigrants.

I really appreciate the opportunity to address this group. I want to emphasize that these are the opinions of the average citizens of Southern Minnesota. I learned a great deal over the course of the Jury and in the months since. But these recommendations represent the collective wisdom of that group.

Thank you.

[The prepared statement follows:]



# TESTIMONY OF JERRY DOOLEY

Representing the Citizens Jury® on Welfare Reform  
 Subcommittee on Human Resources of the Committee on Ways and Means  
 February 2, 1995

*The Citizens Jury on Welfare Reform was held in June of 1994 in Winona, Minnesota. The Citizens Jury process was developed by the Jefferson Center of Minneapolis as a way of learning how a group of ordinary citizens would feel on the issues of the day if they had both access to good information and a week's time to devote to studying it. It was the first Jury held in conjunction with a Member of Congress -- all the jurors were selected at random from the first district in Minnesota, and the Jury was balanced to resemble a microcosm of the public. Their results were reported to former Congressman Tim Penny, and have been passed along to his successor, Rep. Guknecht. The jurors spent a full week studying the issue, with input ranging from national experts like Congresswoman Jan Meyers, Minnesota Governor Arne Carlson and White House Advisor Bruce Reed to local program administrators and actual welfare recipients.*

In June of 1994 I had one of the most exciting, stressful and frustrating experiences in my life as a citizen. I was chosen to participate on a Citizens Jury to hear the facts and make recommendations on the need for reform of our national welfare policies. After experiencing the stress of trying to digest five days of testimony and statistics, I came to the conclusion that there is no one answer to fit every situation. And with 18 jurors, we had 18 opinions on almost every point we discussed. I think I learned a bit about what it must be like to be a Member of Congress. We eventually agreed upon four key which should guide policymaking on this issue.

**The Jury's first objective was that, above all, welfare should lead toward self-sufficiency.** Today's welfare system has created attitudes which encourage long-term dependency. Welfare should be a transition, and we should do more to encourage and facilitate employment. We should change the disregard formula so benefits aren't reduced dollar-for-dollar with every paycheck earned. Making work more profitable than welfare means not only increasing opportunities and benefits for those who work, but reducing benefits for long-term recipients.

The Jury was impressed with state plans like Minnesota's and Wisconsin's which emphasize tailor-made contracts for each family. The welfare system needs to be able to adapt to individual needs. These contracts should include incentives for fulfilling the contract as well as penalties for noncompliance.

The Jury makes these recommendations based on the belief that every able-bodied person should be required to work. Recipients who are unable to find work in the private sector should receive employment opportunities provided by the state in the form of government-subsidized jobs.

The Jury felt that many welfare programs, while well-intentioned, send the wrong message to the public and encourage behavior inconsistent with our cultural values. **The Jury's second objective was to hold both parents accountable for the care of the children and to promote policies that encourage the preservation of the family unit and instill better morals.** The present welfare system, in practice, assigns mothers the sole responsibility for child-rearing. The Jury supported the use of any and all means necessary to enforce child support payments. A key component would be a national database to track deadbeat dads across state lines. Early intervention programs like Head Start are needed to more directly address the needs of children, who are the real victims.

The Jury had grave concerns with giving cash benefits to teenage mothers and supported terminating AFDC payments to individuals under age 18, assuming that a custodial adult is available for the minor parent. Statistics indicated to us that both the parent and the child are being victimized by the system. The welfare system should not give teenage parents any additional incentive to form an independent household.

**Our third objective was to use existing money more effectively. The system exists to serve itself and not the needs of the people.** The advantages of modern technology and the information superhighway should extend to welfare recipients in the form of one-stop shopping and more timely benefits. In addition, more should be done to help the working poor before they are forced to go on welfare.

**Finally, as our fourth objective, the jury voted to give state and local governments more authority to design and administer welfare programs.** The Jury felt strongly that there is no standard solution to the welfare problem. Local governments are in a better position than the federal government to tailor welfare programs to the specific needs of their constituents. Therefore we should first expedite the system of granting federal waivers to states. The jury also liked the idea of replacing federally mandated programs with block grants to the states. Standard benefit levels should be set for all fifty states to alleviate the problem of interstate migration.

The Jury believed that reform could be accomplished without securing additional funding. However, if such funds are necessary we would support tax increases as long as additional methods of raising revenue are examined, including cutting non-means tested entitlement programs for wealthy individuals and limiting SSI benefits for legal immigrants.

I appreciate the opportunity to address this distinguished committee. I want to emphasize that these are the opinions of the average citizen in Southern Minnesota. I learned a great deal over the course of the Jury and in the months since, but these recommendations represent the collective wisdom of the group. Thank you for your time.

Mr. ENSIGN. Thank you.

Ms. Young.

**STATEMENT OF CATHY YOUNG, VICE PRESIDENT, WOMEN'S  
FREEDOM NETWORK, WASHINGTON, DC**

Ms. YOUNG. Good afternoon. I would like to thank you first of all for allowing me to appear before you on behalf of the Women's Freedom Network, which is a nonpartisan group founded to promote an approach to women's issues that emphasizes individual rights and personal responsibility.

We believe that the welfare state is an especially poignant case of the failure of the State bureaucracies to improve women's lives.

Aid to Families with Dependent Children is a system designed at a time when women were not expected to be economically independent, especially if they were mothers. If they did not have a man to support them, they were believed to need public aid.

The society in which we live today is very different. More than two-thirds of all women with children are in the work force. In middle-class and working-class America, young women now consider job skills to be just as essential as young men do, even if many plan to spend some time at home with their children full time.

While taking care of young children is certainly very important work, it is now widely acknowledged that participation in the work force is a wonderful builder of discipline, self-confidence, and self-worth.

Ironically the one class of women most blatantly left out of the women's movement into the workplace and toward economic self-determination have been long-term welfare recipients. For millions, what was supposed to be a lifeline has become a trap.

There is much debate about whether welfare causes young women to have children out of wedlock. I think we can all agree that in its present form it certainly enables them to bear children neither they nor the men in their lives expect to support. And I think conservative or liberal, we can all agree that this is wrong.

As the perverse incentives of the welfare state are dismantled, women and children certainly cannot be abruptly left to fend for themselves. A new system of aid should emphasize education, job skills, and delaying parenthood until one is able to take care of one's children.

With this in mind, I would like to make the following suggestions:

It is imperative for States to be allowed as much flexibility in devising public assistance to families with children as is possible without putting the children at risk. That is the only way in which different policy options can be tested. The programs themselves need to be flexible, unlike the existing one-size-fits-all welfare system.

Many women on AFDC use public assistance temporarily after falling on hard times or leaving a bad marriage. Surely they have very different problems and different needs than teenage mothers who have not completed their schooling and have never held a steady job.

That they are all within the same program obscures these fundamental differences. Why not, for instance, have an insurance program for working people and families into which they could contribute and then collect support if they were temporarily unable to provide for a child?

Breaking up AFDC into different services tailored to different populations would also make it far easier to have a better understanding of what the real problems are.

Welfare reform should also encourage grassroots solutions rather than bureaucratic controls. It is often said that helping mothers on welfare to get jobs will require government spending on child care. But why should not some of the mothers run home-based day care centers and at the same time become self-supporting and provide services to other women?

Often it is because government regulations set obstacles in their way. It is time to revise those regulations and also to take another look at laws that restrict people from working at home in any capacity.

Also we believe that while no mother should be penalized simply for being poor, we should squarely confront the fact that some women on welfare programs, especially those who have children while very young and those who have problems with substance abuse, do not have the maturity, stability, or self-discipline to be good parents.

To take just one example, case records in Michigan show that nearly half of that State's cases of child abuse occur at the hands of single mothers, and that is not counting child abuse at the hands of the mother's boyfriend, which is also a frequent occurrence.

In part because of the traditional habit of idealizing the mother-child bond, our society often finds it difficult to confront honestly the reality of abusive behavior by some of these mothers toward their children. And again, some of that is due to the stresses that they face; it is not that they are necessarily the bad guys.

But we do believe that not every family unit, especially of a teenage mother and her children, can or should be preserved. In the name of family preservation, many children have been placed back into the hands of abusive or irresponsible mothers, sometimes resulting in the subsequent death of the child. And at the same time, many loving and stable couples which care for children in foster care have been prevented from adopting them. I think this should change.

At the same time, there are many teenage mothers who may be immature and may lack education or skills, but are very committed to caring for their children. For these young women, group homes could be a valuable option. In these settings, they could continue their education and acquire job skills and could also receive counseling that would help them cope with the stresses of parenting.

Mr. ENSIGN. Ms. Young, we are under time constraints, so the rest of your testimony will be submitted into the record.

Ms. YOUNG. Thank you.

[The prepared statement follows:]

**TESTIMONY OF CATHERINE A. YOUNG  
WOMEN'S FREEDOM NETWORK, WASHINGTON D.C.**

Good afternoon. My name is Cathy Young and I am here as vice president of the Women's Freedom Network. We are a non-partisan group founded to promote an approach to women's issues that emphasizes individual rights and personal responsibility. We believe in empowering individual women rather than the state and its bureaucracies.

The welfare state is an especially poignant case of the failure of bureaucracies in improving women's lives. Aid to Families with Dependent Children is a system designed at a time when women were not expected to be economically independent, particularly if they were mothers. If they did not have a man to support them, they needed public aid. Ironically, as historian Linda Gordon shows in her book Pitied But Not Entitled: Single Mothers and the History of Welfare (The Free Press, 1994), the social reformers who designed the welfare system were mostly professional women who were themselves self-supporting but believed that other women belonged at home with kids.

The society in which we live today is very different. More than two-thirds of all women with children are in the workforce; for mothers whose children are over the age of nine, the figure exceeds three-quarters. In middle-class and working-class America, young women now consider job skills just as essential as young men do, and expect to be in the workforce for most of their adult lives even if many plan to spend some time at home with their children full-time. While taking care of young children is certainly important work deserving of great respect, it is now widely acknowledged that participation in the workforce is a wonderful builder of discipline, self-confidence, and a sense of self-worth. Ironically, the one class of women most blatantly left out of women's movement into the workplace and toward economic autonomy have been long-term welfare recipients.

There are times when many mothers need a lifeline before they can achieve economic self-sufficiency. But for millions, what was supposed to be a lifeline has become a trap. The present system reduces women to humiliating dependency and alienates men from families and children. It also legitimately angers many working parents who would like to have more children or spend more time with the ones they have but simply cannot afford it, and who see their tax dollars being used to pay other women to stay at home with their children.

There has been much debate about whether welfare causes young women to have children out of wedlock. I think, however, that we can all agree that in its present form it enables them to bear children neither they nor the men in their lives expect to support. Read an article by Kay Hymowitz published in The Washington Post November 13, 1994, called "Real Life on the Teen Mommy Track." This article shows an environment for inner-city teens where having a baby is the emblem of adulthood, a career is a vague fantasy, and marriage is irrelevant. This may not be a great life but it's the most accessible and familiar option in a world where options are limited. "Welfare as we know it" sustains this destructive culture. Read, also, a striking article by Jason DeParle in the December 18 New York Times Magazine. It tells the story of Mary Ann Moore, a mother of four in Chicago who has lived on welfare since the age of 18. This is a woman with plenty of energy, spirit, capacity for hard work. However, she has abused cocaine, she has gotten pregnant while on drugs, she has quit jobs which she could have kept. The article leaves little doubt that the welfare system has, in the author's words, "indulged" this self-defeating behavior, "allowing her to give up" despite her reserves of strength.

Whether we are conservative or liberal, we should all be able to agree on something very basic: it is not responsible behavior to have children, whether you are male or female, when you know you cannot support them. Of course, no couple which has

a child can be sure that it will always have means of support. People lose jobs; people become disabled. But surely it makes a difference whether, at the time you bring a child into the world, you fully intend to rely solely or mainly on public assistance.

But, as the perverse incentives of the welfare state are dismantled, women and children cannot be abruptly left to fend for themselves. A new system of aid should emphasize education, job skills, and delaying parenthood until one is able to take care of one's children. And while recognizing the needs of single mothers, new programs should stress that children are both parents' responsibility.

With this in mind, I would like to make the following suggestions.

1. It is imperative for states to be allowed as much flexibility in devising programs of public assistance to families with children as is possible while ensuring that children are not put at risk. That is the only way in which different public policy options can be tried and tested.
2. The programs themselves need to be flexible, unlike the existing one-size-fits-all welfare system. We are often told that the stereotype of welfare mothers as women who have spent their whole lives in the welfare culture and started having children as teenagers is inaccurate, that many women on the Aid to Families with Dependent Children rolls use public assistance temporarily after falling on hard times or leaving a bad marriage. And that is true. But surely, women in the latter category have very different problems and different needs than do teenage mothers who have not completed their education and have never held a steady job. The fact that they are all within the same program obscures these fundamental differences. Why not, for example, have an insurance program for working people and families into which they would contribute and could then collect support if they were temporarily unable to provide for a child? Breaking up AFDC into different services tailored to different circumstances would also make it far easier to have a better understanding of the composition of the welfare population.
3. Welfare reform should encourage grass-roots and community solutions rather than bureaucratic controls. For instance, it is often pointed out that helping mothers on welfare to get jobs will inevitably require government expenditures on child care. But why shouldn't some of these mothers become self-supporting by being entrepreneurs and running home-based day care centers? Often, it's because government regulations set obstacles in their way, imposing arbitrary restrictions, far beyond basic safety requirements, on private individuals' ability to take in children for at-home care. Such regulations should be reconsidered. It is also time to take another look at laws that restrict a person's ability to work at home. These laws may have been necessary in a different era but today they are antiquated and burdensome. I should point out that local governments will have to play a key role in reforming these laws.
4. While no mother should be penalized simply for being poor, we should squarely confront the fact that some women in welfare programs, particularly those who have children while they are themselves still children and those who have problems with substance abuse, do not have the maturity, the stability, or the self-discipline to be good parents. I am by no means suggesting that poor parenting skills are never a problem in other segments of society. But the young age at which some of these women become mothers, combined with the lack of support from the father and with other forms of stress, and often with drug or alcohol abuse as well, can make the situation especially precarious. To take just one example, case records in Michigan show that nearly half of that state's confirmed cases of child abuse occurs at the

hands of single mothers. And that is not counting child abuse at the hands of the mother's boyfriend.

In part because of the traditional habits of idealizing women and mothers, and particularly the mother-child bond, our society often finds it difficult to confront honestly the reality of irresponsible and abusive behavior when it is committed by women, particularly by mothers toward their children. In the name of "family preservation," children have been placed, again and again, back into the hands of mothers who have mistreated them or who have otherwise proven themselves incapable of acting as parents. In some cases this has resulted in the subsequent death of the child. Often, loving and stable couples are prevented from adopting a foster child for whom they have cared for a long time because the claim of an absent and/or abusive mother is considered pre-eminent. This should be changed. The mother-child bond is important but not more important than the best interests and sometimes the life of the child.

Here I would also like to point out that here in Washington, D.C., when foster parents want to adopt an abused or neglected child, the process of going through the system takes twice as long as it does anywhere else in the country. The national average is 2.5 years -- and that is still far too long -- but here in the nation's capital, it takes five years for the adoption to be completed. I think this is a situation worthy of serious concern.

There are also teenaged mothers who may be immature and may lack education or skills but at the same time are very committed to caring for their children. For these young women, group homes could be a valuable option. In these settings, they could continue their education and acquire job skills and could also receive counseling that would help them cope with the stresses of parenting. For the children, such an environment would combine the benefits of a supervised setting and the warmth and personal care that only a parent can provide.

5. While it is extremely important to extend to poor mothers opportunities to better their and their children's lives through education and job training, no welfare reform program can be truly successful if it leaves out fathers. At the Women's Freedom Network, one of our principles is equal partnership between men and women, and certainly nowhere is that partnership more essential than in child-rearing. This does not mean a rigidly traditional division of roles between father and mother. Each couple, of course, should be able to decide between themselves how to distribute their responsibilities. But it is a simple fact that it takes two people to bring a child into the world and it generally takes two people to raise a child. It goes without saying that many single mothers do an excellent job of rearing their children in very difficult circumstances. Yet there is ample evidence, compiled by Sara McLanahan and Gary Sandefur in the new book Growing Up with a Single Parent (Harvard University Press), that even when other characteristics such as income, race, and ethnic background are the same, growing up with only one parent places children at an additional disadvantage.

Single motherhood as an institution is not fair to women or to men. It is unfair to the many men who would like to be involved in their children's lives but never have that opportunity. It is unfair to the women who have to take on the burden of child-rearing alone. More and more people active in the women's movement now understand that there can be no parity for women in the workplace until men share more of the responsibilities at home. But it is inconsistent, to say the least, to argue that fathers need to be more involved in caring for their children and that there is nothing wrong with single motherhood.

Therefore we believe that it is exceptionally important to encourage family formation and paternal involvement. Identifying fathers whenever possible is an important first step. Some opponents of this measure argue that it could endanger women who are trying to leave violent partners. We believe that there are ways to make sure that a woman can name the father of her child without being placed at risk -- for example, by adding a stipulation that if there is any confirmed history of domestic abuse, the man would not be informed of the woman's whereabouts. Domestic violence is a serious problem, but it needs to be treated as the exception that it is, not as the rule. It would be wrong and unfair for legislation to be based on the presumption that fathers are guilty of abusing the mothers of their children until proven innocent.

Any job training program set up in the context of welfare reform has to include fathers as well as mothers. However, we also believe it would be highly detrimental for the father's role in the family to be reduced to supplying a paycheck. Children deserve love and care, not just money, from both parents. And contrary to the stereotype, not all fathers need to be coerced into supporting their children.

No amount of welfare reform will ever create a world in which every adult is responsible and independent, and every child has a caring, stable, intact family. But we as a society, as communities, as women and men, can certainly do better than we have done to date.



Mr. ENSIGN. Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman.

Ms. Young, the statistic you cited from Michigan, did that include neglect and abuse cases, that 50 percent figure, do you know?

Ms. YOUNG. I believe these are confirmed cases of physical abuse, but I would really have to check my sources.

Mr. CAMP. OK. I appreciate what you have said about the need for State flexibility and the need to try to allow the States to create programs that might work in my district in the middle part of Michigan that do not necessarily work in Detroit, or what works in California may not work in New York.

Ms. YOUNG. Right.

Mr. CAMP. And I think that is what we are trying to do, and I think that could be a big help in getting a welfare system that works instead of keeping people trapped in dependency.

And we would like to see people become economically dependent, because we think that is where their self-worth comes from, not from being reliant on government, but being self-reliant. So I appreciated your comments there.

Mr. Tester, we are going to be looking at some support enforcement, and so I am glad for your comments about paternity establishment, because we would like to see both parents responsible for the care of the child, and we will be looking at that as part of this welfare reform bill.

I did note that you mentioned that if a mother cooperated with State efforts, she would be denied benefits. And the case is that if she names not more than three individuals and provides the addresses of those individuals, and the State does not disprove her allegation, then aid under the State plan may not be denied to the family.

So the standard that the mother has to come to is simply naming the father and providing the address of the individual or, if they do not know the address of the individual, the address of immediate relatives.

So I just wanted to make sure that that was understood. It is on page 8 of our bill, if you want to look at the legislation.

But I just want to thank the witnesses for testifying. And thank you, Mr. Chairman.

Mr. ENSIGN. Mr. Levin.

Mr. LEVIN. Thank you. Let me just say hello. The hour is late. There are other witnesses waiting. And if I might, especially to Mr. Tester, since I have had some happy occasions with your organization.

Mr. TESTER. Thank you.

Mr. LEVIN. Anyway, we welcome the testimony of all three of you. Thank you.

Mr. ENSIGN. Thank you. Mr. Tester you talked about State flexibility with some guidelines.

Just in general, do you have three or four guidelines, that you would have us put on the States?

Mr. TESTER. I think it would be very important as we talk about State flexibility, let us make certain that we examine the entire family. I know that you have heard from many child welfare folks.

And naturally our zealousness is to make sure that the kids are taken care of.

You have heard from people about child support. You have heard from multiple factions.

Our encouragement would be, please make certain that we look at the entire—if we are talking about a car, let us make sure that we look at the entire car and not simply making sure that the tires are OK, because while the tires may get fixed, the engine will fall out, and we are going to have problems.

So the idea would be, let us make certain that we look at not only what the treatment needs, for example, of the children are and not only what the nutritional needs of the children are, but let us make sure that we also set that up in such a way that we are addressing the entire family all at once, so that we are trying to do all that we can to position this family to succeed together.

Mr. ENSIGN. How do we tell the States to do that? In other words, what are the guidelines that we should enact from here?

If we are giving the States a block grant, and we are saying we want to give you flexibility, but here are the guidelines, what are some minimum guidelines that we should require say—should do for the States to make sure that some of these things are accomplished?

Mr. TESTER. I think what we would be happy to do is present that in writing. I will be happy to work with my administrators to present those ideas and what we think would make sense.

[The information was not available at the time of printing.]

Mr. ENSIGN. OK, thank you. And I would like to thank the panel for their testimony.

I would like to call up the next panel. It would be David Burgess, Texas Fathers Alliance, Austin, Texas; Richard Larson, director of Office of Program Innovation, Income Maintenance Administration, Maryland State Department of Human Resources; Mark S. Epstein, president, Public Voice for Food and Health Policy; Kirk E. Harris, consultant, Paternal Involvement Demonstration Project, Chicago, Illinois; Sara F. Dustin, director of Parents for Justice, Hopkinton, New Hampshire; Samuel J. Simmons, president and chief executive officer, National Caucus and Center on Black Aged, Inc.

And let us start with—

Mr. FORD. Mr. Chairman, I would just like to personally welcome Samuel Simmons, who is the president and chief executive officer of the National Caucus and Center on Black Aged.

I have had an opportunity where we had a Select Committee on Aging in the Congress, Mr. Chairman, to work very closely with him over the years, and I would just like to personally welcome Mr. Simmons to this Committee today.

Mr. ENSIGN. We look forward to his testimony.

If Mr. Burgess is here, as soon as we have the name tags, we are under a 5-minute rule. The hour is late, and we would appreciate your keeping your testimony to the 5 minutes. The yellow light will go on with about 40 seconds to go, and any written testimony will be submitted into the official record.

Thank you.

**STATEMENT OF DAVID BURGESS, TEXAS FATHERS ALLIANCE,  
AND AMERICAN FATHERS COALITION, AUSTIN, TEXAS**

Mr. BURGESS. Good afternoon. My name is David Burgess, and I am from Temple, Texas.

As a custodial father, I have raised a 26-year-old daughter, now married, and a 17-year-old son who is an Eagle Scout.

I am a volunteer mentor for the Men's Fathers' Hotline, a national crisis line for men and fathers, and have devoted the last 15 years to counseling fathers who are trying to maintain a relationship with their children.

I was asked by the Texas Fathers Alliance to speak for them at this hearing. They have asked me to express their gratitude to this Committee and to the leadership of Congress for the opportunity to speak to you about fathers and their desire to be involved with their children.

The American family is in a crisis, a crisis created by policies which inadvertently drive men away from their families and away from their children, policies that this Congress has the power to change.

The large volume of phone calls to the hotline, now over 18,000 per year, enable us to determine the attitudes of a broad sampling of the fatherhood community. It is significant that about one-third of these calls to the hotline are from women who are concerned that a father will be denied a relationship with his children. They seem to understand the need for both girls and boys to have a loving, continuing relationship with their fathers. We trust that government will reach the same understanding.

Perhaps the most perplexing of those calls are from fathers whose children are living with a mother who chooses to rely on welfare. They cannot understand why government encourages that lifestyle when the father is willing to raise his children without government assistance. They are concerned about their children.

Children who grow up without a father are at high risk for any number of social ills as seen in the divorce/birth/crime statistics of Texas. In 1992, approximately 90,000 Texas children were affected by divorce, and there were 56,000 children born to unwed mothers with no father listed on the birth certificate—19,500 of those unwed births were to teenage unmarried mothers, mothers like those featured in the accompanying news articles in the written testimony; 2,500 of those births were to girls aged 15 or younger.

Not surprisingly, 80 percent of children committed to juvenile prisons come from other than intact homes. These children are most likely to graduate to the adult prison system. As a direct result, Texas has embarked on the largest prison building campaign in the history of the country, if not the world.

We believe that the present welfare system bears much of the responsibility for these shocking numbers. We also believe our proposal will ensure that children have a father, while greatly reducing the cost of delivering services to the most needy of our society.

Our proposal is based on the belief that welfare should not be a substitute for fathers; instead fathers should be a substitute for welfare.

The focal point of our welfare reform proposals are, one, fathers should be given custody of children if the mother chooses to apply

for welfare; two, welfare benefits should be a loan, not an entitlement; and three, both the mother and father should be held responsible for repaying the benefit loan that either one receives on behalf of their children.

As an advisor to hundreds of fathers over the past 15 years, I find men willing and able to assume full responsibility for their children, but they are not given the chance. How does this happen?

We use the stories of three men who have called the hotline to illustrate how government drives fathers away from their children and encourages the mothers to live on welfare. Please read those stories in the submitted testimony.

The questions these men asked us are typical: Why does she want to collect welfare? Why will they not let me have my son and daughter and let her find a job?

We also use the stories of five young girls featured in an "Austin American Statesman" article, girls who became pregnant and had babies because it was the "in" thing to do.

Listen to Jamie, "Out of five of us hanging around, three of my friends got pregnant after I did." That is four out of five.

And listen to Carlisha, "I have one friend who got pregnant just because I was. Another friend felt left out. That is why she did it."

National research has found that 31 percent of teen pregnancies are intentional and that most of the remaining teen mothers were ambivalent about becoming pregnant.

Their attitudes will change only when they are required to pay back the benefits they receive. Our written testimony more fully explains our proposal and also explains how title IV-D agencies encourage welfare dependence while separating father and child.

We ask that Congress pass welfare reform that is father inclusive and that does not continue to devalue the father-child relationship.

Our proposal will be the focus of a panel discussion beginning at 9 a.m. on March 6 in the Hart Senate Office Building Ninth floor Auditorium. I hope that you can have a staffer or yourself attend that.

Again, thank you for allowing us to be part of these discussions.  
[The prepared statement and attachments follow:]

Testimony before  
 Sub-Committee on Human Resources  
 Committee on Ways and Means  
 U. S. House of representatives  
 February 2, 1995

David Burgess, M.S.P.H.  
 Texas Fathers Alliance and American Fathers Coalition  
 512-472-DADS (3237) : Fax 512-499-8056 : Internet tfa@menhotline.org  
 807 Brazos, Suite 315  
 Austin, TX 78701

**Welfare Reform is for Fathers Too!**

**Introduction:**

My name is David Burgess of Temple, Texas. As a custodial father I have raised a 26 year old daughter who is married and has a career as a health care technician, and a 17 year old son who is an Eagle Scout.

I am a volunteer mentor for the Men's/Fathers *HOTLINE*, a national crisis line for men and fathers, and have devoted the last 15 years to counseling with fathers who are trying to maintain a relationship with their children. I am also an advisor to the Texas Fathers Alliance and a member of the Board of Advisors of the Washington, D.C. based Men's Health Network.

I was asked by the Texas Fathers Alliance and the American Fathers Coalition to speak for them at this hearing. They asked me to express their gratitude to this committee and to the leadership of Congress for the opportunity to speak to you about fathers and their desire to be involved with their children. I am here to speak for the fathers of children who are being raised in a welfare environment and to address the myth of the uncaring, uninvolved father.

In 1992, Dr. Louis Sullivan, then Secretary of Health and Human Services, wrote an article entitled, "Where have all that fathers gone?" and stated "It is time that we put the issue of fatherless families front and center on our national agenda."<sup>1</sup> We believe that the welfare system and the practices of the Title IV-D agencies encourage fatherless families. The proposal we offer is based on the belief that *welfare should not be a substitute for father*, instead, *father should be a substitute for welfare*.

Whether the safety net system we employ is "block granted" back to the states or remains under federal control, we must redesign it so that it discourages welfare dependence, promotes father involvement, and provides relief to the taxpayer.

While my testimony will focus on Texas statistics and procedures, the data presented, and procedures followed by the Title IV-D agency and the courts, are virtually the same in every state.

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<sup>1</sup> Louis Sullivan, M.D., Secretary, U.S. Department of Health and Human Services, *Child Support Report*, June 1992.

### The Men's/Fathers *HOTLINE*

The Men's / Fathers *HOTLINE* is listed around the nation as a crisis line for men and fathers. Callers are referred to local, state, or national assistance programs that can help them solve their problems. The *HOTLINE* is staffed by trained counselors who are receptive to men's concerns and needs and who suggest resources to assist them with finding remedies to those issues that are causing stress in their lives.

The majority of the calls to the *HOTLINE* are from men who have domestic problems and are searching for solutions to those problems. Many are seeking ways to mend their marriages or re-establish a relationship with their children. Others are concerned that their children are living on welfare and are inquiring about the possibility of gaining custody of their children. Still others live with a violent spouse and are concerned about possible danger to their children.

A surprising number of phone calls are from grandparents who are concerned about their grandchildren.

Most of the domestic related calls fall into five distinct categories:

1. calls from or for men who are concerned about an impending divorce and are concerned about the effect that event will have on their relationship with their children,
2. calls from or for men who are experiencing problems with access to their children,
3. calls from or for men who are experiencing financial child support problems due to a decrease in salary or loss of job,
4. calls from or for men who are custodial fathers and who are being harassed by the children's mother or who are having difficulty collecting financial child support -- or who have no financial child support award, and
5. calls from or for unwed fathers who are separated from their children because the mothers do not allow them access or because of a financial child support action and subsequent "visitation" recommendation by the Title IV-D agency (in Texas, the Attorney General's office is the Title IV-D agency).

### Welfare related calls to the *HOTLINE*:

The volume of phone calls to the *HOTLINE*, over 18,000 per year, enable us to determine the attitudes of a broad sampling of the fatherhood community -- Anglo, Hispanic, Black (African), and others. It is significant that over 1/3, or more than 6,000 per year of the phone calls to the *HOTLINE* are from women who are concerned that a father will be denied a relationship with his children. They seem to understand the need for both girls and boys to have a loving, continuing relationship with their fathers.

We trust that government will reach the same understanding.

Men who seek assistance through the *HOTLINE* seem to understand that their children want and need a close continuing relationship with both parents. Calls from unwed fathers indicate that they are proud of their children and wish to play a major part in their lives. This is not surprising since the Office of Child Support Enforcement (OCSE) estimates that 80% of unwed fathers appear at the

hospital to see and hold their newborn children.<sup>2</sup> It is possible that a substantial number of the remaining 20% have not been told that they are fathers.<sup>3</sup>

If the father is unwed, his first questions are about his rights as a parent, and his fear that the child might be placed for adoption by the mother. He is most likely to ask if it is possible for him to gain custody of his child and, if not, if it is possible to have joint physical custody. Many of these men describe with pride how they were in the delivery room to watch the birth of their child.

If the mother is relying on welfare, the caller usually fails to understand why government will not let him raise his children, at least until the mother is able to provide for herself. The counselor can offer no explanation except that government seems to feel that mothers, not fathers, should raise their children, even if the mothers must rely on government assistance to do so. At the very least, these same men feel that they should be allowed to have possession of their children any time the children might be in day care or with a baby-sitter. Unfortunately, government seems more inclined to pay day care centers than to let the fathers baby-sit their own children.

It is the fate of their children that concerns them. Children who grow up without a father are at high risk for any number of social ills and the sad results of father absence are evident in the divorce, birth, and crime statistics of Texas.

Effects of father absence = higher crime, higher child abuse rates, more unwed teen births, and higher school dropout rates:

Children growing up in a welfare system predicated on absent or driven-away fathers are doomed not just to a life of poverty but to a life filled with early pregnancy, school dropout, and delinquent behavior. Children who grow up without a father present, even when adjustments are made for income, are 375% more likely to need professional assistance for emotional problems, twice as likely to repeat a grade of school, and more likely to suffer a wide variety of other disorders including anxiety, peer conflict, and hyperactivity.<sup>4</sup> While television and the movies gather headlines as the motivation behind teen violence, school administrators blame "family breakup" for violence in the schools.<sup>5</sup>

The presence of fathers is necessary for children to develop the cognitive, moral, and disciplinary skills needed to succeed in life. Psychologists have determined that children benefit from what Henry Biller, Ph.D. describes as the "Two Parent Advantage." Dr. Biller explains the need for father presence:

*Much more attention must be directed at positive paternal involvement in order to provide the best family involvement for the physical, cognitive, emotional, social and moral development of children. Important findings have underscored the significance of 'The Father Factor' through pregnancy, infancy, childhood, adolescence, and adulthood. The father's active involvement helps his son and daughter develop a secure body image, self-esteem, moral standards and*

<sup>2</sup> David Ross, Director, Office of Child Support Enforcement. Comments at the 1994 Children's Rights Council Conference. April 15, 1994..

<sup>3</sup> "When Father Knows Nothing", Washington Post, January 29, 1995.

<sup>4</sup> National Center for Health Statistics, June 1991. Study of 17,100 children in various family structures. Children living with a mother and step-father fared worse on most indicators.

<sup>5</sup> Survey by the National School Boards Association as reported in the *Washington Times*, January 1994. 77% of school administrators blame "family breakup" for violence in the schools.

*intellectual and social competence. The quality of the early father-child relationship is linked to the son's and daughter's later adjustment in adolescence and adulthood.*<sup>6</sup>

As fathers have been excluded from their children's lives, with the marriage rate falling and the divorce rate rising, SAT scores have fallen to all-time lows while teen births and the crime rate have exploded. The divorce rate, teen birth rate, and the crime rate each doubled between 1975 and 1990. SAT scores fell in 1975 and then dipped below 900 for the first time in 1980. They have remained at that low level.<sup>7</sup> Children whose parents divorce or have never married are at high risk. Children who have significant contact with both parents, regardless of marital status, appear to be at much lower risk.

In 1992, 89,936 Texas children were affected by divorce, and there were 55,800 children born to unwed mothers with no father listed on the birth certificate.<sup>8</sup> 19,507 of those unwed births were to teen-aged, unmarried mothers, mothers like those featured in the accompanying news article. 2,434 of those births were to girls aged 15 or younger. What can we expect of the children from these broken and never-formed homes:

**Crime:** Not surprisingly, 80% of children committed to juvenile prisons in Texas come from other than intact homes.<sup>9</sup> These children are most likely to graduate to the adult prison system. Texas can now claim a prison incarceration rate second only to Washington, D.C. That is worth repeating, *Texas now has an incarceration rate 2nd only to Washington, D.C.*<sup>10</sup> -- Prisoners who, for the most part, began their criminal careers as juveniles, the same juveniles who grew up in father-absent homes. As a direct result, Texas has embarked on one of the largest prison building campaigns in the history of this country, if not the world.

**Child Abuse:** Increasingly, child abuse and neglect threaten the youngest and most vulnerable of our population -- and child abuse is twice as likely to be committed by the mother than by the father (68% - 32%).<sup>11</sup> One study of inner city child abuse found that 49% of the confirmed abuse was committed by single parent mothers.<sup>12</sup>

**Unwed births:** In 1992, there were 55,903 births to unwed Texas mothers and 55,800 of those babies had no father listed on the birth certificate. 2,434 of those births were to girls aged 15 or younger.

Nationally, there were 360,645 births to unmarried teenagers in 1990 and 10,675 were to girls under age 15. Apparently because of the greater population of whites, 67% of the births to unwed teens were to white teenage girls, but minority teens were at greater risk of early parenthood. "A racial and ethnic breakout of 1990 data indicate that 57% of births to white teens, 92% of births to black teens, and 59% of births to Hispanic teens were to

<sup>6</sup> *The Father Factor and the Two Parent Advantage: Reducing the Paternal Deficit*, pg. 1. Henry Biller, Ph.D., Psychology Department, University of Rhode Island. April 15, 1994.

<sup>7</sup> "Index of Leading Indicators." *Washington Times*. March 16, 1994.

<sup>8</sup> Texas Bureau of Vital Statistics, 1992 Annual Report.

<sup>9</sup> Texas Youth Commission, Commitment Profile, fiscal years 1992 and 1993.

<sup>10</sup> Bureau of Justice as reported in the Dallas Morning News. October 28, 1994.

<sup>11</sup> Texas Department of Protective and Regulatory Services, 1991 Status Report, page 13. September 1992. This pattern is repeated in other states.

<sup>12</sup> Ditson and Shay, Child Abuse and Neglect, Volume 8. 1984.



unmarried young women. . . . exposure to single parenthood increases the likelihood that a female child will become a single mother.”<sup>13</sup>

School: At a time when we wonder why our school systems aren't working, mainstream research has found that children reared in single-parent, divorced mother homes are twice as likely to fail a grade of school. Children living with a single-parent unwed mother are almost three times as likely to fail a grade of school. These same children are much more likely to exhibit peer conflict, antisocial behavior, hyperactivity, and headstrong behavior. As a caution to those who claim poverty is the cause of juvenile misbehavior, children reared in mother/step-father homes, homes where the income is usually higher, fare even worse than those in single-parent, divorced mother homes.<sup>14</sup>

Research has shown that children who grow up in single parent homes complete “fewer years of school than those who spent most of their lives in two-parent homes.”<sup>15</sup>

School administrators when queried about the causes of school violence, name “Family Breakdown” as the #1 cause.<sup>16</sup>

The Congressional Research Service summarized in this manner:

“One writer sums up the disadvantage faced by a child whose father does not live at home in this way:

‘It has been almost impossible to equalize opportunities between the races when a black child is more than three times as likely as a white child to live without a father ...

‘Nonetheless, the toll taken by father absence has not been limited to black American. Three-fifths of America's fatherless children are white, and the percentage of white children living without fathers has more than doubled since 1960, from 8.7% in 1960 18.2% in 1988. Father absence is growing among Hispanics as well, from 23.1% of Hispanic children in 1980 to 30.8% in 1988.’

“According to this writer, enabling children of all races to fulfill their potential may be an unattainable goal for any level of Government, given that father absence often negatively affects children's lives.”<sup>17</sup>

This overwhelming evidence points to a need for more father involvement. Unfortunately, the welfare system as defined by both federal and state government assumes that fathers will be only a pocketbook, not a parent. That attitude must change.

<sup>13</sup> Congressional Research Service (CRS) Report to Congress, 93-582-EPW, “Mother-Only Families: Trends and Issues.”

<sup>14</sup> National Center for Health Statistics, June 1991. Study of 17,100 children.

<sup>15</sup> Congressional Research Service (CRS) Report to Congress, 93-582-EPW, “Mother-Only Families: Trends and Issues.”

<sup>16</sup> National School Boards Association survey, January 6, 1994. Family Breakdown is cited by 77% of the administrators as the cause for school violence.

<sup>17</sup> Nicholas Davidson, *Life Without Father* as reported in Congressional Research Service (CRS) Report to Congress, 93-582-EPW, “Mother-Only Families: Trends and Issues.”

## Fatherless Children are At-Risk Children

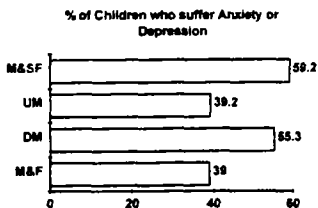
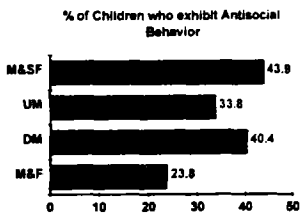
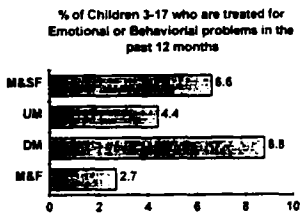
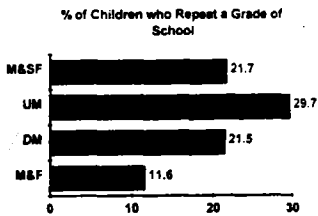
A broad study of children's adjustment in different family types (sample size 17,100) conducted by the U.S. Department of Health and Human Services, National Center for Health Statistics, found that children of divorced, separated, or remarried mothers fare much worse than children living with both parents. The study was published in 1991.

Can this be explained by economics? Remarriage, or permanent cohabitation by the mother, even with the additional income of the new partner, appears to make a bad situation even worse. Children of remarried mothers are at greater risk of depression, antisocial behavior, school failure, and other indicators of at-risk youth -- conclusive evidence that family breakup, not poverty, is the cause of social pathology in our nation's youth.

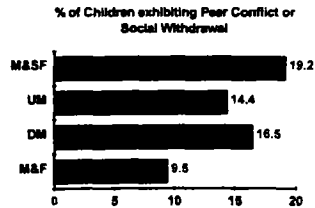
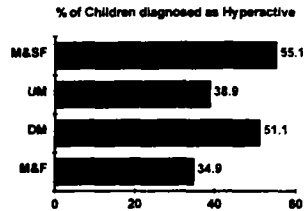
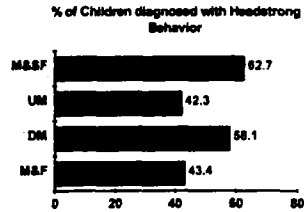
In the accompanying charts:

M&SF = Children living with a mother and stepfather  
UM = Children living with an unmarried mother

DM = Children living with a divorced mother  
M&F = Children living with both mother and father



**AFC**  
 THE AMERICAN FATHERS COALITION  
 202-FATHERS - 703-255-2428  
 2000 Pennsylvania Ave., N.W., Suite 148  
 Washington, D.C. 20006  
 Texas Fathers Alliance  
 512-472-DADS (3237)  
 807 Brazos, Suite 315  
 Austin, Texas 78701



Welfare system to blame:

We believe that the present welfare system bears much of the responsibility for these shocking numbers. In 1993, there were 14,144,000 individuals enrolled in the Aid to Families With Dependent Children (AFDC) program, including 9,539,000 children. 89% of the AFDC children had no father in the home. 53% of the parents had never married (1992), in 1969 that figure was 28%. Of all caretakers, 39% were white, 37% were black, 18% Hispanic, 3% Asian, and 1% were Native American.<sup>18</sup>

We also believe that our proposal will insure that children have a father while greatly reducing the cost of delivering services to the most needy of our society. We refer the reader to the Heritage Foundation's *Backgrounder* No. 983, "Combating Family Disintegration, Crime, and Dependence: Welfare Reform and Beyond" and to Robert Rector's January 13, 1995 testimony to this sub-committee for a thorough analysis of the effects of welfare on American society.

Our proposal is based on the belief that welfare should not be a substitute for father, instead *father should be a substitute for welfare*. We ask that Congress make fathers full partners in the reform of the welfare system.

The American Fathers Coalition welfare reform proposal is added to this presentation.

Fathers: Willing, but "Driven Away" by Government Policies and Title IV-D Agencies:

As an advisor to hundreds of fathers over this past 15 years, I find men willing and able to assume full responsibility for their children -- but they are not given the chance.

How does this happen?

We use the stories of three men who called the *HOTLINE* to illustrate how government drives fathers away from their children, and how government encourages the mothers of their children to live a welfare lifestyle.

Juan, Hispanic male, calls the *HOTLINE* and sets an appointment for an interview with a counselor.

He is excited and happy to announce that his girl friend had given birth to a baby girl 9 months earlier, but sad that she does not wish to marry him. He has photos of his baby glued to the outsides of his wallet and on the covers of the folders holding the data he brings with him. He explains that he is 29 years old, is a cook at a local restaurant, and did not think he would ever have children. His girl friend has taken the child, also her first, moved in with her mother, and has applied for AFDC. She will only allow him to see the child in her presence. He wants custody of his daughter and feels ashamed that she might live in a welfare environment. "I want better for my daughter," he says with a mixture of anger and pride.

He enrolls in a parenting class as recommended by one of our counselors. He also attends free group counseling sessions, the Fathers Connection, a counseling program offered by the Men's Health Network of Washington, D.C., to talk about his child and his plans for her future. The

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<sup>18</sup> CRS Report to Congress, 94-340-EPW, "Aid to Families With Dependent Children (AFDC): A Fact Sheet.

Attorney General (AG) has entered the case to establish a financial child support award for the child. Technically, the AG can claim only to represent the child, as required by federal law, but is establishing an award for the mother and asking that the father pay, essentially establishing custody. The father cannot afford a lawyer so he prepares as best he can for the inevitable court appearance.

The outcome? A father who wants custody and would not rely on welfare is ordered to pay financial child support to a mother who is now drawing welfare. *He is allowed to "visit" the child for 6 hours every Thursday, on the recommendation of the AG.* He now attends the Fathers Connection to deal with the pain and anger he feels as a parent who is excluded from his child's life.

Fred, Black unwed father, calls the *HOTLINE* for assistance with his young son.

He, too, wishes to have custody of his baby but is being limited to a few hours "visitation" a week by the courts at the recommendation of the AG. He is a computer programmer with the state and proud of his new baby.

He breaks down during the initial interview and begins to cry when speaking of his wish to spend more time with his child, wondering why the state has sided with the mother and has limited the time he can spend with the child. The mother has quit her job and is applying for AFDC. The Title IV-D agency (AG) has filed on her behalf to collect financial child support. As with Juan, the agency has filed in the name of the mother asking that she collect financial support from the father, thereby establishing a custody arrangement.

Angelo, another Hispanic caller, has a more perplexing case.

He has a 7-year history of joint physical custody of his children from his first and only marriage. Their primary residence has been with him. His live-in girlfriend becomes pregnant (while telling him she is taking birth control pills) and moves to West Texas to live with her parents. He has a good job, owns the home he lives in, feels that he will make a better parent than her, wants to gain custody of the baby, and, if successful, is willing to allow the mother to have joint custody. He enrolls for parenting classes even though he has already raised two children.

The outcome? She applies for welfare and the Title IV-D agency (AG) enters the case on her behalf to establish a financial child support award, assuming custody to mother, and asking that Angelo be the payor. Angelo, a successful father to two other children, is only allowed once-a-month visits.

The questions these men ask us are typical:

"Why does she want to collect welfare?"

"Why won't they (Title IV-D agency) let me have my (son/daughter) and let her find a job?"

"Why does the state represent her but I have to find my own lawyer?"

"Why don't they do what is best for my child?"

Please remember those men when developing welfare policies.

# Typical Title IV-D Agency Pleadings and Custody Arrangements

Note that the Title IV-D attorney has restricted this father to 4 hours a month with his child.  
(Texas has statutory guidelines which will give him 1/3 of the time with his child once the child is 3 years of age.)

REF NAME: \_\_\_\_\_  
CA ACCOUNT NO.: \_\_\_\_\_  
CAUSE NO.: \_\_\_\_\_

IN THE INTEREST OF \_\_\_\_\_  
A MINOR CHILD \_\_\_\_\_

ORDER IN SUIT AFFECTING THE PARENT-CHILD RELATIONSHIP

ON the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, the Court held a hearing in this cause. The Office of the Attorney General appeared by an Assistant Attorney General. \_\_\_\_\_, DRIVER'S LICENSE NO. \_\_\_\_\_, hereinafter referred to as "Driver's", appeared in person (and by attorney \_\_\_\_\_) and agreed to the entry of these orders as evidenced by her signature. \_\_\_\_\_, although duly notified, did not appear.

WHEREFORE, the Court therefore reserves the question of paternity against \_\_\_\_\_.

IN THE JUDICIAL DISTRICT COURT OF TRAVIS COUNTY, TEXAS

SPECIAL TERMS AND CONDITIONS

Possessory Conservator shall have possession of the child from 2:00 p.m. - 4:00 p.m. each second and fourth Saturdays of each month until the child reaches three (3) years of age and the Standard Possession Order supersedes. Visitation shall be supervised by the Managing Conservator.

ASSISTANT ATTORNEY GENERAL  
CHILD SUPPORT LITIGATION DIVISION

ORDER IN SUIT AFFECTING THE PARENT-CHILD RELATIONSHIP PAGE \_\_\_\_ OF \_\_\_\_

Note that the standard printed form used by the Title IV-D agency assumes "... MOTHER of the child ..." will be the parent receiving financial child support payments (and custody).

REF NAME: \_\_\_\_\_  
CA ACCOUNT NO.: \_\_\_\_\_  
CAUSE NO.: \_\_\_\_\_

IN THE INTEREST OF \_\_\_\_\_  
A MINOR CHILD \_\_\_\_\_

ORDER ESTABLISHING THE PARENT-CHILD RELATIONSHIP

ON the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, the Court held a hearing in this cause. The Office of the Attorney General appeared by an Assistant Attorney General. \_\_\_\_\_, DRIVER'S LICENSE NO. \_\_\_\_\_, hereinafter referred to as "Driver's", appeared in person (and by attorney \_\_\_\_\_) and agreed to the entry of these orders as evidenced by her signature. \_\_\_\_\_, although duly notified, did not appear.

WHEREFORE, the Court therefore reserves the question of paternity against \_\_\_\_\_.

IN THE JUDICIAL DISTRICT COURT OF TRAVIS COUNTY, TEXAS

ORDER ESTABLISHING THE PARENT-CHILD RELATIONSHIP

Page \_\_\_\_ of \_\_\_\_

Day Care Arrangement by Family Structure: Census Bureau Finds Fathers Preferred Choice as "Baby Sitters":

A recent Census Bureau, Survey of Income and Program Participation (SIPP), study provides insight into the relationship between father and child.<sup>19</sup> The study found that fathers are the baby-sitter of choice in modern families. Over 3.2 million children under age 15 are being cared for by their fathers while the mother works, contrasting with 2.2 children in all day care centers and nursery schools.<sup>20</sup> Fathers are caring for very young children at unexpected rates. Children under age one, and those between the ages of one and two, were more likely to be cared for by father than by any other child care provider.

The study also found that government often comes between father and child. In a separate publication, the lead researcher on this project stated, "Children of never-married women are more likely to have fathers as primary child care providers than are children of divorced or separated women. ... Divorce and separation agreements restricting paternal visits or roles may be responsible for these lower rates of child care participation."<sup>21</sup>

Another Census Bureau study found, based on the reports of custodial mothers, that fathers with joint custody voluntarily comply with financial child support orders (90.2% according to the mothers).<sup>22</sup>

Teen-age Mothers -- Attitudes and Solutions:

Government research has chronicled the problems associated with unwed teen births, but there appears to be some confusion about the incentives for girls to have babies, and about the solutions.<sup>23</sup> Just why are "babies having babies"? We use the stories of five young girls featured in the *Austin American Statesman*, girls who become pregnant and had babies because it was the "in" thing to do.<sup>24</sup> Their stories can be found on the following page.

Requiring that those young teenagers live at home will not discourage them from having babies.  
Reducing or eliminating their cash benefits will not discourage them from having babies.  
Requiring that they reimburse government for the benefits they receive will discourage them from having babies.

Listen to Jamie Capps,

"Out of five of us that hang around, three of my friends got pregnant after I did."

And listen to Carlisha Hill,

"I have one friend who got pregnant just because I was. Another friend, who is due this month, also felt left out. I know that's why she did it."

<sup>19</sup> "Who's Minding the Kids?", Child Care Arrangements: Fall 1991.

<sup>20</sup> Census Bureau finds Fathers Preferred as Day Care Providers, Men's Health Network, October 1994.

<sup>21</sup> Where's Papa? Fathers' Role In Child Care, Population Trends and Public Policy, September 1993.

<sup>22</sup> Child Support and Alimony, 1989, Current Population Survey, September 1991.

<sup>23</sup> Families on Welfare: Sharp Rise in Never-Married Women Reflects Societal Trend, GAO/HEHS-94-92, May 1994.

Families on Welfare: Focus on Teenage Mothers Could Enhance Welfare Reform Efforts, GAO/HEHS-94-112, May 1994.

<sup>24</sup> Families on Welfare: Teenage Mothers Least Likely to Become Self-Sufficient, GAO/HEHS-94-115, May 1994.

<sup>24</sup> "Newborn Realities", *Austin American Statesman*, July 31, 1994.

Remember these girls when developing welfare policy. National research has found that 31% of the teen pregnancies are intentional and that most of the remaining teen moms describe their attitude toward the thought of becoming pregnant as "ambivalent."<sup>25</sup> *Only a policy which requires that these teenage girls be held responsible for repaying their share of the benefits received as a result of that birth will have an impact on their decisions and on the decisions of their friends.*

## NEWBORN

Austin American-Statesman

Sunday, July 31, 1994



Self photo by Lynne Deaton  
Laandra Anderson, 15, is a sophomore at Johnson High School. She has a 14-month-old daughter named Deserae.



Self photo by Lynne Deaton  
Adelita Herrera, 16, is a junior at Crockett High School. She is working this summer at the RBJ Health Clinic. Her daughter, Elena, is 10 months old.

Jaymie Capps remembers a girl going around Rowie High School last year boasting she was pregnant.  
"She carried around a glass of water all the time and attended the pregnant teens support group," Capps says.

"Trouble is, the girl wasn't pregnant. Every time she was asked how far along she was, her due date would change. 'I guess that makes her about two years pregnant by now,' she says."

Carletha Hill has a better one. Two years ago, a sophomore who belonged to the same gospel choir also bragged about being pregnant.

"One day while at choir practice she started sneezing, and a pillow fell out of her blouse. We didn't laugh. We thought it was sick," says Hill.

Talk about peer pressure. A disturbing pattern surfaced: Once the teens got pregnant, they became the centers of attention among their peers. What's more, their close friends followed suit. They, too, became pregnant.

"I don't know what it is," says Capps. "Out of five of us that hang around, three of my friends got pregnant after I did. One of them had an abortion."

Hill says nearly everyone in her large circle of friends is pregnant or has a baby. "I know of just two girls who aren't, and I know one of them will get pregnant. I have one friend who got pregnant just because I was. Another friend, who is due this month, also felt left out. I know that's why she did it."

Laandra Anderson, who was 13 when she gave birth, says three of her friends got pregnant after she did. She says the attention she received was unbelievable. "No one seemed to know me. Then, all of a sudden everyone started talking to me. They had a baby shower for me. It felt good to be noticed. Then, I felt bad because I knew they were doing it because I was pregnant."

Adelita Herrera, too, was showered with care. "When my daughter was born the girls came around and said how pretty Elena was and how much fun a baby is."

Capps says some girls believe getting pregnant will bring them the attention they never get at home. "I remember one of the girls in my support group saying that the best thing that came out of her having a baby was all the attention she received."



Self photo by Lynne Deaton  
Jaymie Capps, 16, is a junior at Bowie High School. Jaymie is attending summer school and also works at PetSmart. Daughter Cassandra is 2 months old.

## REALITIES

Each new mom receives financial and/or emotional support from her baby's father.



Self photo by Lynne Deaton  
Jennifer Villalva, 16, is a senior at Crockett High School. She has a 17-month-old son named Joshua.



Self photo by Lynne Deaton  
Carletha Hill, 16, is a senior at Reagan High School. She has a son, Terrence, who is 8 months old.

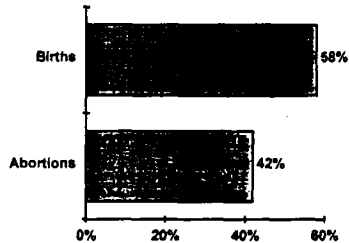
<sup>25</sup> National Conference of State Legislatures Welfare Reform Task Force, May 4, 1994. Data presented by Child Trends.

## Pregnancies among Teen-age Girls

The impact of AFDC and other welfare benefits, coupled with fatherless, unstable homes, can be seen in the teen birth rates. Approximately 58% of teen-age girls who become pregnant decide to carry their baby to term. The other 42% decide to end their pregnancy by obtaining an abortion.

Until a reliable birth control pill for men/boys can be developed, the decision to become pregnant and to have a baby will continue to be the exclusive domain of the woman/girl.

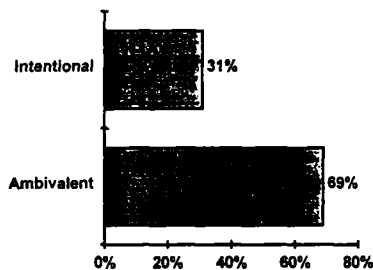
### **Pregnancies Carried to Term and Pregnancies Aborted**



**AFC**  
 THE AMERICAN FATHERS COALITION  
**American Fathers Coalition**  
 202-FATHERS - 703-255-2428  
 2000 Pennsylvania Ave., N.W., Suite 148  
 Washington, D.C. 20006  
**Texas Fathers Alliance**  
 512-472-DADS (3237)  
 807 Brazos, Suite 315  
 Austin, Texas 78701

### **Percentage of Births to Teen-age Mothers by Intent of Mother**

31% of teen-age mothers deliberately became pregnant and carried their pregnancy to term. For the remaining 69%, the pregnancy was unintended or, apparently in most cases, they were "ambivalent" about the possibility of becoming pregnant.<sup>2</sup> Until mothers are held at least partially responsible for repaying the benefits they receive, there will continue to be no "downside" to becoming pregnant.



<sup>1</sup> Data presented to the National Conference of State Legislatures Welfare Reform Task Force, May 4, 1994. Child Trends, Inc.

<sup>2</sup> A study of Baltimore teens obtaining pregnancy tests found "nearly half expressed *ambivalence*, both about pregnancy and about sex and contraception. Ambivalent teens were just as likely to have a baby during the next two years as teens who unequivocally wanted a child." "Facts At A Glance", January, 1994



### American Fathers Coalition Welfare Reform Proposal:

Welfare reform proposals being offered by Congress and the White House contain an unfortunate omission -- they fail to give children a father. Welfare reform cannot be accomplished unless reformers are willing to put fathers back in the home.

We have come to know two very important things about family / welfare policy:

- a) Until the person who receives the benefits bears some responsibility for reimbursing the government for those benefits, the incentive for unwed pregnancy will continue, and
- b) Until government policy allows fathers to become involved with their children, those children will continue to be at high risk for criminal behavior, teen pregnancy, and numerous other social abnormalities.<sup>26</sup>

The American Fathers Coalition (AFC) has a bold new plan for welfare reform, a plan rooted in solid family research and responsive to the needs of the children born to a fatherless welfare system, a plan that will begin by cutting the welfare rolls in half. The AFC plan promises to break the cycle of poverty while filling the missing link between a normal childhood with a promising future and a dead-end childhood that promises only poverty and prison. *The AFC plan gives children a father!*

#### 7 Steps to Welfare Reform and Healthy Children

The AFC plan gives children a father, and makes mothers and fathers both financially responsible for the children they bear. Under the present system and under all "reform" proposals, mothers collect benefits for having children out of wedlock and bear no responsibility for repaying those benefits. Put simply, mommy receives the money (and benefits), daddy is required to pay it back. Until the person who actually receives the benefits is held responsible for repaying the cost of those benefits, welfare will continue to be an incentive for having children out of wedlock. And, until children are allowed to have fathers, they will continue to be at high risk for school drop-out, delinquent behavior, and unwed, teenage parenthood.

Those points are important enough to repeat:

Until the person who actually receives the benefits is held responsible for repaying those benefits, welfare will continue to be an incentive for having children out of wedlock. And, until children are allowed to have fathers, they will continue to be at high risk for school drop-out, delinquent behavior, and unwed, teenage parenthood.

The AFC makes the following proposals:

- 1) Custody: The father should be the placement of first choice if the mother applies for AFDC. This simple change in procedure will immediately cut the AFDC rolls in half, save government 100s of millions of dollars, and provide children with solid, loving homes.<sup>27</sup>

<sup>26</sup> *Facts at a Glance*, pg. 1. Child Trends, Inc., January 1994. "Teenage mothers are more likely to have daughters who have babies as teens themselves." Analysis of the data indicates that the rate is twice that of non-teen mothers.

<sup>27</sup> Estimate based on one-half of fathers obtaining custody.

Placement with the father allows the mother to finish school or to be placed in a job training program until such time as she can adequately support herself. The child should be placed in a welfare situation with the mother only if the father declines custody or proves unfit. Fathers make unusually good parents and most will gladly accept the responsibility of parenthood.<sup>28</sup>

2) **Paternity establishment:** Establish a legal link between mother, father, and child at the time that paternity is established.

80% of unwed fathers visit their newborn children at the hospital.<sup>29</sup> Within a few short months, these fathers will have been driven away from their children, uninvited by the child's mother or threatened by her family or new boy friend. This first precious link between father and child must be encouraged and allowed to bloom. Forums used to establish paternity should also lay the groundwork for a custody / visitation arrangement.

The White House and the Office of Child Support Enforcement (OCSE) have received samples of a revised form that would establish a clear custody / visitation intent, thereby giving father and child a solid link. This form should be incorporated into the paternity establishment procedure.

3) **Financial Child Support:** Both parties should be held responsible for supporting the child according to their ability to earn.

Financial child support obligations should be assigned to both parties based on their ability to earn. This means that mothers who now receive AFDC-related benefits will bear some of the responsibility of repaying government for those benefits, making the AFDC / welfare lifestyle less desirable. Simply threatening to sever payments after a predetermined period of time will have little or no effect on the rate of unwed pregnancies. Such plans provide for job training or educational benefits, sending the message "have a child and gain a job."

Under the present system, the mother who fails to establish a live-in relationship with the child's father receives food stamps, subsidized housing, medical care, and cash -- and she has no responsibility to repay the money, the government looks solely to the father for repayment. Subsequently, unwed pregnancy and childbirth have become a "job" for too many women.<sup>30</sup> In 1960, only 15% of teen births occurred outside of marriage, in 1991, 69% occurred outside of marriage.<sup>31</sup> More than 25% of all births are to unwed mothers.<sup>32</sup> The failure rate among users of contraception is approximately twice as high among "poor" women as among "non-poor" women.<sup>33</sup>

<sup>28</sup> Interviews with family counselors specializing in divorce issues indicate that unwed fathers consider maintaining contact with their children as their first concern and most would chose to have custody of their children.

<sup>29</sup> David Ross, Director, Office of Child Support Enforcement. Comments at the 1994 Children's Rights Council Conference. April 15, 1994.

<sup>30</sup> *Facts at a Glance*, pg. 2. Child Trends, Inc., January 1994. "Among never-married mothers aged 18-44 in 1992 ... 43% were neither working nor looking for work."

<sup>31</sup> "Trends in Teenage Fertility", pg. 13. Child Trends, Inc., May 4, 1994.

<sup>32</sup> "Quiet Crisis Affects Millions of Our Youngest Children." Carnegie Corporation. April 12, 1994.

<sup>33</sup> "Trends in Teenage Fertility", pg. 26. Child Trends, Inc., May 4, 1994.

Teenage pregnancy rates reflect this trend. Data compiled by Child Trends, Inc. indicate that 18% of teen pregnancies resulted from a decision by the mother to become pregnant, 40% resulted from the mothers' ambivalence toward pregnancy, and 42% of teen pregnancies were terminated (abortion).<sup>34 35</sup>

Requiring that the mother accept responsibility for repayment of government benefits will discourage out-of-wedlock births and welfare dependency.

4) **Accountability:** Recipients of AFDC benefits should face some form of accountability for how those benefits are spent.

AFDC benefits should accrue to the benefit of the children, as should financial child support payments. Some form of accountability is required for all other government third-party payments (social security payments for third parties, foster care payments, etc.). Complaints are often heard of mothers using AFDC payments to purchase crack or alcohol while her relatives care for the children.

Accountability might be accomplished by filing a simple form at year-end outlining how the monies were spent, or receipts might be retained for a specified period as is required of business expenses by the IRS.

5) **Incentives for payment of financial child support:** States should be required to implement custody and visitation presumptions that are proven methods of encouraging voluntary compliance with financial child support laws.

Mothers report in census data that fathers who have joint custody pay financial child support at rates exceeding 90%. Fathers who have "visitation" orders pay at rates approaching 80%.<sup>36</sup> States operating Federal Access Grants have found a significant increase in voluntary compliance with financial child support orders when "visitation" is awarded and enforced.<sup>37</sup>

States should be encouraged to award joint custody and provide strong enforcement of visitation in AFDC cases.

6) **Inability to pay financial child support:** Due to unemployment or underemployment, many obligors fall behind in financial child support payments.

<sup>34</sup> *Facts at a Glance*, pg. 2. Child Trends, Inc., January 1994. "Ambivalent teens were just a likely to have a baby during the next two years as teens who unequivocally wanted a child."

<sup>35</sup> "Trends in Childrearing and Implications for Reform", State-Federal Assembly, National Conference on State Legislatures. Presentation by Child Trends, Inc., May 4, 1994.

<sup>36</sup> *Child Support and Alimony*, pg. 7. Bureau of the Census, Series P-60, No. 173. September, 1991. "A higher percentage of fathers with joint custody pay the [financial] child support due (90.2 percent) than fathers who have visitation privileges (79.1 percent) and those without visitation or joint custody provisions (44.5 percent)."

<sup>37</sup> See February 4, 1994 letter: Dick Woods (Director of the Iowa Access Grant) to Congressman William D. Ford.

Census data, based on mother self-reporting, indicates that 66% of obligors who have been ordered to pay financial support and who fail to do so simply cannot pay.<sup>38</sup> Giving those obligors preference at employment agencies enhances the possibility that they will resume support payments. A system of prioritizing should also include any person who is the sole support of a family. Language might read as follows:

The (state employment) Commission shall assign priorities based on the needs of the family of the individual seeking employment. Individuals with children to support in families where no one else is employed full time and individuals who have a financial child support obligation shall be of first priority. The purpose of the priority system is to provide jobs for families with children.

7) **Financial child support -- poorly trained and uneducated parents:** Job training and skills enhancement programs should be provided to parents who are unable to meet their financial child support obligations. These parents should be required to reimburse government for the cost of their training.

A study by the Institute for Research on Poverty at the University of Wisconsin-Madison found that "dead-beat dads" were really impoverished dads. In their comprehensive study, they found that "... 52% of the nonpaying fathers had incomes of less than \$6,155 per year ..."<sup>39</sup>

The Parents Fair Share Program, a federally funded pilot program operated in 9 states, has achieved 90% compliance with financial child support orders by providing education and retraining for unemployed and underemployed obligors whose children are receiving AFDC benefits. Participants are also enrolled in peer support groups to assist them with the development of parenting skills while assuring that they remain involved with their children. The cost is \$1,400 per participant.

The *Washington Post* reported, "The two-year project demolished some stereotypes attached to parents who are delinquent in child support."<sup>40</sup> Testimony before the House Ways and Means Committee further illustrates the desire for fathers to be involved with and to help support their children:

*... The PFS pilot experience ... lays bare several sobering realities about the potential of 'enforcement only' strategies for increasing (financial) child support collections from the parents of AFDC children. ... The hard truth is that many noncustodial parents do not pay because they have no income. Before they can pay, they need jobs.*<sup>41</sup>

This American Fathers Coalition Welfare Reform Program gives the child a father while discouraging unwed pregnancy and encouraging family formation. The American Fathers Coalition plan takes a giant step toward breaking the cycle of poverty and providing children a stable environment that discourages delinquent behavior and encourages personal responsibility, academic achievement, and social competence.

***The AFC Welfare Reform Program gives the child a father, a family, and a future!***

<sup>38</sup> GAO/HRD-92-39FS. *Mothers Report Receiving ...*, pp 19-20. January, 1992.

<sup>39</sup> *Dallas Morning News*, pg. 5. April 26, 1993.

<sup>40</sup> *Washington Post*. February 11, 1994.

<sup>41</sup> Gordon Berlin, Senior VP, Manpower Demonstration Research Corporation. Subcommittee on Human Resources, House Ways and Means Committee. March 15, 1994.

# Schools fight losing battle against student mayhem

By Susan Peacor

**LINKING**  
Share and Share Alike  
The White House hears a plea for gender neutral parenting

**Dear Dads: Save Your Sons**  
REVENUES DECEMBER 1, 1993

**CAUSES OF SCHOOL VIOLENCE**

CAUSE	PERCENTAGE
Family violence	25%
Peer violence	20%
Media violence	15%
Substance abuse	10%
Learning disabilities	5%
Physical disabilities	5%
Emotional disabilities	5%
Other	15%

Where are the parents of today's youth?

Linking social ills and absent fathers



**Shoved-Aside Fathers**  
William Raspberry  
MONDAY, JANUARY 3, 1994

**Quayle: Right on the Family**  
David S. Broder  
MONDAY, JANUARY 3, 1994

We hurt children when we treat their fathers as cash cows

**Fathers' HOTLINE**  
512-472-DADS

**Build Families, Not Prisons**

**Violence is blamed on family breakup**  
The Washington Times

MONDAY, SEPTEMBER 20, 1993

**Criminal Advice**  
William Raspberry  
Special report

**We must put children first, and do it now**

Richard Louv

**A vacuum that technology can't fix**

SUZANNE FIELDS

**absent father**  
The crisis of the

A quarter of U.S. children have little or no contact with their dads, and the social and emotional consequences are devastating.

**Teen pregnancy: Everyone pays**

**Cisneros is right — boys need men**

Mr. ENSIGN. Thank you.

Mr. Epstein.

**STATEMENT OF MARK S. EPSTEIN, PRESIDENT, PUBLIC VOICE  
FOR FOOD AND HEALTH POLICY**

Mr. EPSTEIN. Thank you, Mr. Chairman. I am Mark Epstein, president of Public Voice for Food and Health Policy. It is an honor to appear before the Subcommittee to discuss welfare reform and the Federal nutrition programs.

Public Voice is a 13-year-old public interest organization that focuses on the full spectrum of food issues, ranging from how food is grown to the access of all Americans to an affordable and healthy food supply.

Public Voice takes a special interest in the Agriculture Department's nutrition programs, including WIC, food stamps, and especially the National School Lunch Program. Together these programs assist many of the youngest, poorest, and most vulnerable Americans, and we feel that these programs have been uniquely successful, valuable and cost effective.

The importance of diet and health and in the development of our children is indisputable. Over 300,000 deaths a year from heart disease, cancer, and other illnesses are linked to diet.

Low-income families are especially vulnerable. Since the expansion of food stamps and the introduction of WIC, however, the gap between the diets of low-income families and the rest of us has narrowed. The results are unmistakable.

Stunting among preschoolers has decreased nearly 65 percent. The incidence of low birth rate has fallen, as has anemia among low-income preschoolers in most ages and ethnic groups.

Given these facts, Public Voice cannot understand why anyone would support the nutrition block grant provisions of the Personal Responsibility Act as they currently exist. They would rip a gaping hole in our low-income safety net, assign the repair job to the States, and not give the financial string to perform the task.

Under this legislation, responsibility for 10 major Federal nutrition programs would be shifted to the States without adequate funds to continue them at their current levels.

Yesterday at another hearing, the National School Board Association testified that funding would be cut 17 percent overall with even higher cuts in some States.

What have been Federal entitlement programs guaranteeing access for the most needy Americans during the most difficult of times, such as a recession, would become State discretionary programs.

Federal funding for food and nutrition assistance would fall by more than \$5 billion in 1996 and nearly \$31 billion over the next 5 years.

States would need to invest time and money in crafting individual programs to replace the programs consolidated into block grants.

In the case of the School Lunch Program, Federal safeguards ensuring the nutritional integrity of meals would be abolished. States would have to develop nutritional standards on their own, and they may choose to have no nutritional standards at all.

The Personal Responsibility Act cuts would be three times as great as those made in the School Lunch Program in 1981 when over 2,000 schools dropped from the program.

Students in schools that retain the program could see meal prices increase as much as 50 percent. Schools that decide to subsidize meals may have to sacrifice core academic programs to pay for meals.

In a report issued 2 weeks ago, the Agriculture Department found that this legislation also would lower food sales, weaken the farm economy, and increase unemployment.

I am sure I am repeating many things you have heard from other witnesses, so let me say this instead.

In Public Voice's view, the Personal Responsibility Act is not responsible, and its effect is far too personal on those who can afford it the least. It is a legislative assault on the chances poor children have for obtaining maximum physical and intellectual development.

At the same time, Public Voice understands the need to reduce the cost of government and use tax dollars more efficiently. We think there is a far better place to look for the cuts, and we think it exists right in the Agriculture Department's own budget.

For instance, the Food Stamps Program serves more than 27 million people for about \$27 billion annually. That is about \$1,000 per recipient.

The Special Supplemental Nutrition Program for Women, Infants and Children helps about 7 million at an annual cost of about \$3 billion. That is less than \$500 per recipient.

These are costs that are pretty minor when you look at the total. But when we get to other programs, the farm commodity programs, for instance, they cost roughly \$10 billion a year and serve less than 1 million farmers. That is an average of \$10,000 per farmer, compared with the \$200 to \$1,000 year spent on beneficiaries of the nutrition programs.

Since 1990, income support payments to farmers have cost taxpayers more than \$50 billion, while encouraging practices that increase the use of pesticides. And despite the huge flow of cash, these commodity programs have failed to stanch the exodus of family farmers from agriculture.

Increasingly, price and income supports flow where they are least needed—to the large, wealthy producers and companies that dominate today's farm landscape.

Mr. Chairman, radical reform is needed in the Agriculture Department. It is just that I do not think that it's needed in the nutrition section.

Substantial improvements and savings are achievable if the farm commodity programs are targeted toward protecting the environment and small- and mid-sized family farmers.

Public Voice—

Mr. ENSIGN. Mr. Epstein, the rest of your statement will be included in the record. Thank you.

Mr. EPSTEIN. Thank you very much.

[The prepared statement follows:]

**TESTIMONY OF MARK S. EPSTEIN  
PUBLIC VOICE FOR FOOD AND HEALTH POLICY**

Thank you Mr. Chairman. I'm Mark Epstein, president of Public Voice for Food and Health Policy. It's an honor to appear before the committee to discuss the Personal Responsibility Act.

Public Voice is a 13-year-old public interest group that focuses on the full spectrum of food system issues, ranging from how food is grown to the access of all Americans to an affordable and healthy food supply. Public Voice takes a special interest in the Agriculture Department's nutrition programs, including WIC, food stamps and, especially, the National School Lunch Program.

Together, these programs assist many of the youngest, poorest and most vulnerable Americans. And we feel the programs are uniquely successful, valuable and cost effective.

The importance of diet in health, and in the development of our children, is indisputable. Over 300,000 deaths a year from heart disease, cancer, and other illnesses are linked to diet. Low-income families are especially vulnerable. Since the expansion of food stamps and the introduction of WIC, however, the gap between the diets of low-income families and the rest of us has narrowed.

Given these facts, Public Voice can't understand why anyone would support the nutrition block grant provisions of the Personal Responsibility Act as they currently exist. They would rip a gaping hole in our low-income safety net, assign the repair job to the states, and not give them the financial string to perform the task. Under this legislation:

- Responsibility for 10 major federal nutrition programs would be shifted to the states *without* adequate funds to continue them at their current levels. Yesterday, at another



hearing, the National School Board Association testified that funding would be cut 17 percent overall, with even higher cuts in some states.

- What have been federal entitlement programs guaranteeing access for the most needy Americans during the most difficult of times, such as recession, would become state discretionary programs.
- Federal funding for food and nutrition assistance would fall by more than \$5 billion in 1996 and nearly \$31 billion over the next five years.
- States would need to invest time and money in crafting individual programs to replace the programs consolidated into block grants.
- In the case of the school lunch program, federal safeguards ensuring the nutritional integrity of meals would be abolished. States would have to develop nutritional standards on their own, or may choose to have no nutritional standards at all.
- The Personal Responsibility Act cuts would be three times as great as those made in the school lunch program in 1981, when 2,000 schools dropped the program. Students in schools that retain the program could see meal prices increase 50 percent. Schools that decide to subsidize meals may have to sacrifice core academic program to pay for meals.

In a report issued two weeks ago, the Agriculture Department found that this legislation also would lower food sales, weaken the farm economy, and increase unemployment.

I'm sure I'm repeating things you've heard from other witnesses. So let me say instead: In Public Voice's view, the Personal Responsibility Act is hardly responsible, and

it's impact on the public—especially poor children—would be way too personal. It's a legislative assault on the chances poor children have for attaining maximum physical and intellectual development.

At the same time, Public Voice understands the need to reduce the cost of government and use tax dollars more efficiently. We simply think there is a far better place to look for cuts than in the nutrition programs—and it's right in the Agriculture Department's own budget. Consider the following:

- The Food Stamp Program serves more than 27 million people for about \$27 billion annually. That's about \$1,000 per recipient.
- The Special Supplemental Nutrition Program for Women, Infants and Children helps about seven million people at an annual cost of about \$3 billion. That's less than \$500 per recipient. And research shows that WIC actually *saves* money by improving health and reducing federal health care costs.
- The school lunch program feeds 25 million children at a cost of less than \$5 billion per year. That's only \$200 per student. And, through requirements that school meals meet the U.S. Dietary Guidelines, the school lunch program is about to make the most significant progress in years toward improving the nutritional quality of school meals.

The farm commodity programs on the other hand, cost roughly \$10 billion per year and serve less than a million farmers. That's an average of \$10,000 per farmer, compared with the \$200 to \$1,000 a year spent on beneficiaries of the nutrition programs.

Since 1990, *income* support payments to farmers have cost taxpayers more than \$50 billion,

while encouraging practices that rely on greater pesticide use.

And despite the huge flow of cash, these commodity programs have failed to stanch the exodus of family farmers from agriculture. Increasingly, price and income supports flow where they are least needed—to the large, wealthy, producers and companies that dominate today's farm landscape.

Mr. Chairman, radical reform is needed in the Agriculture Department budget—but not in the nutrition programs. Substantial improvements and savings are achievable if the farm commodity programs are targeted toward protecting the environment and small- and mid-sized family farmers. Public Voice urges committee members to consider reducing the waste, inefficiency and fundamental unfairness of the farm programs before decimating nutrition programs that help those who will someday be the backbone of our workforce. Thank you.

Mr. ENSIGN. Mr. Harris.

**STATEMENT OF KIRK E. HARRIS, PUBLIC POLICY CONSULTANT, PATERNAL INVOLVEMENT DEMONSTRATION PROJECT, CHICAGO, ILLINOIS, APPEARING ON BEHALF OF DAVID PATE, EXECUTIVE DIRECTOR**

Mr. HARRIS. Yes. I appreciate the opportunity to speak to the Subcommittee this afternoon. I am Dr. Kirk Harris. I am the public policy consultant to the Paternal Demonstration Project, which is a project that deals with noncustodial minority fathers, typically black fathers, who are seeking to better establish relationships with their children.

I would like to just point out that David Pate, the executive director, wanted to be here, but due to some family crisis was unable to attend.

I wanted to cover a few points today about our project experience. First, I wanted to say that our project really seeks to improve the Federal and State public policies, so that they better support, rather than discourage, fathers' efforts to be involved with their children.

Moreover, I think it is really important to note that this project is really about securing the future of children.

The project operates in three community-based sites throughout Chicago, and those sites provide numerous services from job skills to education to parenting with the notion that this mix of services is critical to support the matriculation of that particular father to a level of success, so that they can actually effectively connect with their children.

The Paternal Involvement Demonstration has over the last year and half participated aggressively in the discussion of welfare reform nationally and in Illinois. I think our program experiences to date have suggested that noncustodial fathers should, particularly in the context of welfare reform, be supported to play a more meaningful role in the lives of their children. The thrust being to create opportunities for low-income fathers to provide long-term economic and emotional support to their children.

My testimony today basically wants to highlight a number of issues, and let me just quickly go through them.

First, I would like to say that the men that are in our project come from a number of legal situations. They could have been married and divorced; they could have never been married; they could be seeking some kind of paternity scenario. I say this to suggest that we really have had an opportunity to be exposed to a large array of men in various kinds of scenarios where they are not immediately living in the household with their children.

What that has taught us is that we have really gained valuable insight into this unique population of men. We refute the public perception about the deadbeat dad with regard to the lack of desire to provide some support and some kind of nurturing to children. Our experience has been that our men are anxious to fill that role, but they need support in doing so.

I would like to point out that these fathers are not suggesting that the mothers are doing a bad job, but arguing that it is important to have two parents, given the complexity of the world today,

both parents are important to provide the kind of support that children need.

And moreover, this is not a project that focuses on the male child. This is a project that functions on the whole parenting ideal—every child is important!

Welfare reform should give low-income noncustodial fathers real access to welfare, to work programs, which is really not happening. We argue that much of the disconnect that is occurring between these fathers and their children is a function of the role that men still play in the society with regards to being providers for their children.

Because many of these men are economically marginalized, it is really important to be able to provide them with some resources in the form of health care, in the form of job readiness, in the form of stipends to support them for educational programs, that will allow them to make that leap to success that will ultimately lead to providing support for their children, which many, we have discovered, really want to do, but cannot do because of their marginal circumstances.

So what we would argue, then, is that welfare reform really needs to think more broadly about the role of men in contouring opportunities for families, with particular attention being paid to low-income minority men. If we can move beyond the stereotypes of these men being unconcerned and ill prepared to be parents, I think we can move into a welfare reform scenario that will truly provide the kind of mobility for them and their children that we want to see.

And I think—I guess my time is just about up, so thank you.

[The prepared statement of Mr. Pate follows:]

SUBCOMMITTEE ON HUMAN RESOURCES  
 COMMITTEE ON WAYS AND MEANS  
 UNITED STATES HOUSE OF REPRESENTATIVES

STATEMENT OF DAVID PATE  
 ON BEHALF OF THE PATERNAL INVOLVEMENT DEMONSTRATION PROJECT

The Paternal Involvement Demonstration Project is a public-private venture<sup>1</sup> that seeks to help non-custodial fathers of children on welfare become more involved financially and emotionally with their children. The project seeks to demonstrate effective ways to assist these fathers secure employment so they can help support their children and become actively involved in their children's lives.

The project also seeks to improve federal and state public policies so that they will support, rather than discourage, fathers' efforts to be involved with their children.

The project operates in three community-based agencies in Chicago. These three sites are testing ways of reaching out to help fathers connect with the labor market and with their children. Each of the three agencies provides a unique mix of education, jobs, health, parenting, and case-management services to project participants. The project participants are minority (mainly African-American) men, aged 18-35, who have very low income, have children on welfare, and want to be more involved fathers.

The Project is being evaluated by the Center for Urban and Economic Development at the University of Illinois to provide insight into how to construct better interventions that support low income fathers in their efforts to become more involved with their children.

The Paternal Involvement Demonstration Project has participated in the discussions on welfare and child support enforcement reform over the last two years both nationally and in Illinois. In all these discussions we have spoken about the importance of considering not only the responsibilities but also the needs of low-income, non-custodial fathers of AFDC children in any welfare reform discussions, because unless those needs are met, many low-income fathers may never be able to be effective nurturers and providers of long-term economic and emotional support for their children.

In testifying today, the Paternal Involvement Demonstration Project wants to discuss several issues that we believe Congress needs to address as it makes decisions about how to reform the welfare system. But, as a preface to my substantive comments, I ask you to note two points, which clarify my testimony:

First, fathers in the project have a wide range of possible legal situations with regard to their children--some are married to but separated from the child's mother; other are divorced from the child's mother; many never married the child's mother, but have had the father-child relationship established under the Illinois Parentage Act, either at the hospital at the time of the child's birth or later through a court proceeding; and others have not yet

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<sup>1</sup> The project receives grants from the Arle and Ida Crown memorial, the Chicago Tribune Foundation, The Field Foundation of Illinois, Inc., the Illinois Department of Public Aid, the Illinois Department of Children and Family Services, the John D. and Catherine T. MacArthur Foundation, the Lloyd A. Fry Foundation, Marshal Field's, the Polk Bros. Foundation, the Prince Charitable Trust, United Way of Chicago, and the Woods Fund of Chicago.

established a legal relationship with their child, but they are following through on the legal process to do so. All are men who voluntarily participate in the Paternal Involvement Demonstration Project because they want to be better fathers who can support their children both financially and emotionally. I point this out because of what I believe is the danger of basing public policy on stereotypes rather than reality. The stereotype is that low-income, minority men desire to be estranged from their children. Our experience is that the men in the project are very involved or are striving to be very involved with their children.

Second, please note, too, who these fathers are not.

\* They are not fathers who think their children's mothers are doing a bad job and who want to take custody from those mothers. Rather, by and large, the fathers in the Paternal Involvement Demonstration Project think the mothers are doing a remarkably good job, given the difficulties they face because of their poverty.

\* They are not fathers who are interested primarily in their sons and only secondarily in their daughters. They believe that fathers play equally important roles in the lives of both their sons and their daughters. The Project is really built on the notion of "whole parenting."

Based on the experience of the Paternal Involvement Demonstration Project, we strongly recommend that Congress include the following reforms in its welfare reform efforts:

1. Welfare reform should give low-income, non-custodial fathers of children on welfare access to the welfare-to-work programs and some other services available to the mothers. A non-custodial father who can regularly pay child support for his children is, in many cases, essential to the child's getting off and staying off welfare. We specifically suggest the following:

- a. Allow low-income, non-custodial fathers of AFDC children to volunteer for the education and training programs offered by state welfare programs (these currently are called "JOBS" programs, that is, Job Opportunity and Basic Skills programs under the Family Support Act) and to receive the same types of supportive services (transportation allowances, book and equipment allowances, etc.) that JOBS provides for mothers.<sup>2</sup>

We make this suggestion because many low-income fathers of welfare children have the same barriers to getting and keeping jobs as do the mothers--no high school diplomas, no marketable job skills, little or no job experience. To get jobs, these men need the same kinds of opportunities and supportive services JOBS offers to mothers.

- b. Pay a monthly stipend, perhaps equal to the state's adult-only AFDC grant, to low-income fathers volunteer to participate in JOBS.

We make this suggestion because many fathers of AFDC children are not just low-income fathers, they are no-income fathers. For example, Illinois eliminated its General Assistance program in 1992, leaving over 71,000 single adults, many of whom were non-custodial fathers of AFDC children, with no income. These men now rely on homeless shelters and handouts from friends and relatives to get by. With no income, it is very difficult for them to take advantage of education and training opportunities and to look for jobs.

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<sup>2</sup> In Illinois, JOBS services are available to Paternal Involvement Demonstration Project participants through a waiver granted by the U.S. Department of Health and Human Services to the Illinois Department of Public Aid.

c. Extend medicaid eligibility to low-income fathers of AFDC children who are participating in JOBS.

We make this suggestion based on the experience of Paternal Involvement Demonstration Project participants. Many of the participants need health care in order to be well enough to seek employment or participate in job training programs. While the project can arrange for some medical services for participants--job-related physical exams and eyeglasses--those services do not cover the men's medical needs. In Illinois there is no publicly supported medical program for low-income adults who do not qualify for the state's limited Transitional Assistance program. Lack of medical care can have tragic results. This past spring a project participant--a man who had established paternity, was paying child support from his low-wage job, and was involved with his child--died of asthma because he could not afford medical care and maintenance medication.

2. Welfare reform should provide funds to the state IV-D programs (the child support enforcement programs) so those programs can offer mediation, counseling, and parenting education services to parents involved in the IV-D child support process.

We make this suggestion because the current IV-D process focuses entirely on getting child support. It ignores the issues of custody and visitation that frequently follow the establishment of parentage and/or the setting of support orders. The IV-D attorneys are, by law, involved only in the child support issues, so the parents are unrepresented on custody and visitation. There is massive misunderstanding about the rights and responsibilities of parents who are involved in the IV-D program. Mediation and counseling could clear up the misunderstandings and assist parents work out visitation and custody arrangements that are good for the children. Parenting education would assist the parents understand, for example, the importance of not using the children as pawns in their disputes, of not criticizing the other parent to the children, of following through on promises to visit, and that the time a parent spends reading, playing ball, or taking a bus ride with his child is as valuable to a child as is a costly shopping trip.

3. Welfare reform should make the paternity establishment and child support enforcement system more accessible to fathers. Specifically, we suggest the following:

a. The IV-D statute should be amended to make it absolutely clear that the IV-D agencies must assist men establish paternity when men apply for services.

In Illinois, until the Paternal Involvement Demonstration Project pressed this issue with the state IV-D agency last year, that agency refused to assist men initiate the paternity establishment process because it believed that federal law precluded it from doing so. In fact, current federal law requires that states assist both fathers and mothers, but clarifying language may help other states recognize their responsibilities.

b. The IV-D agencies should be required to inform responsible relatives of the need to seek modifications or abatements of support obligations if their ability to support decreases, for example, they lose their job.

From the project's experience, we know that responsible relatives, usually fathers, frequently have no idea that they need to take formal action to stop the child support meter from running after they become unemployed. These fathers think that if they tell the mothers they lost their job or apply for welfare (usually food stamps) themselves, the welfare department/IV-D agency will know they can't pay support as ordered and suspend the obligation. But the law is not so lenient, and large arrearages accumulate. In the



project we have seen that the accumulation of large arrearages of unpaid child support causes frustration and fear which add another barrier to fathers' involvement with their children.

Please note that this is a very modest suggestion. We are not saying that the child support obligation automatically evaporates when a non-custodial parents circumstances change for the worse so he cannot pay the amount required. We are simply suggesting that the child support enforcement system adequately inform the non-custodial parent that he need to seek a modification or abatement of his child support obligation if his circumstances change for the worse.

Also, please note that we are not suggesting that non-custodial parents be given a complete pass on child support obligations when they are unemployed. We are not. We think it is perfectly appropriate for the courts to require such parents to take a range of steps to put themselves in a position to pay child support--search for jobs, enroll in training programs that will lead to jobs, report to the court on their efforts, report to the court when they become employed. But we are suggesting that fathers be informed of how the child support system should work and that they need to take action to stop the child support meter from running when, through no fault of their own, they have no income out of which to pay child support.

4. Welfare reform should allow child support payments to AFDC children make a real difference in those children's lives. The amount passed through to the AFDC family should be at least \$100 per child, not the \$50 per family that it is now.

5. Welfare reform should eliminate entirely the restrictions present in the current law that make many low-income, two parent families ineligible for AFDC (the 100 hour rule and the connection with work force rule).

We believe these eligibility rules have had the perverse effect of forcing poor fathers to leave their families so the families could obtain assistance on which to live and contributed to the marginalization of fathers in poor communities. Illinois, under a recent waiver from HHS, now provides benefits to two parent families. We urge Congress to make such assistance national policy.

6. Welfare reform should not impose time limits that could lead to any welfare family's losing its financial assistance as long as it is cooperating with the welfare agency's requirements. Poor families need varying amounts of time to become self-sufficient, and many families will make several attempts before they become permanently independent of welfare. Many Paternal Involvement Demonstration Project participants have held jobs, then lost their jobs and had no income, and so became homeless. They know the psychological and physical toll homelessness takes, and they don't want their children to experience it. This country should do nothing in the name of "welfare reform" and "ending welfare as we know it" that would push its poor children into homelessness.

7. Welfare reform should not deny financial assistance to poor children whose parents were not married at the time of their birth or whose paternity has not been established.

We understand that this subcommittee has heard from many witnesses on the topic of out of wedlock childbearing and the relationship, if any, between births to unwed parents and the availability of welfare benefits. We wish to add our voices to those who have told this sub-committee that unwed childbearing is an extremely complex issue and have counseled the sub-committee against harsh treatment of children born to unmarried parents. And, we wish to make two very important, yet practical, points:

First, we believe that neither the federal government nor the states can deny financial assistance to poor children whose parents were not married at the time of the children's birth without violating the equal protection requirements of the United States Constitution. Under existing United States Supreme Court precedents, discrimination against children of unmarried parents is unconstitutional.

Second, we believe that neither the federal government nor the states can deny financial assistance to poor children whose paternity has not been established because, as stated above, the Constitution prohibits such discrimination. Additionally, the state IV-D agencies, which are charged with establishing paternity for children who seek welfare benefits, have huge caseloads and move slowly. Poor children should not be denied desperately needed aid due to these agencies' delays.

8. Finally, we suggest that Congress look at the big picture as it considers welfare reform. By the big picture, we mean the very complex relationships among the changing labor market, the Federal Reserve Board's need to have a certain percentage of the population unemployed in order to control inflation, the harshness of minimum wage, no benefits, no job security jobs, the reality of discrimination in hiring and employment, the failure of many school systems to prepare our young people for today's and tomorrow's job markets, and the growing global economy. We respectfully suggest that, from our perspective, it surely seems that this country needs either to adopt policies that lead to a true "full employment" economy or to face up to the fact that there will always be some unemployment. If we chose the latter, then Congress should restructure the "welfare" system into an "unemployment" system, that is, one in which adults, in general, are expected to work. But when work is not available--because they have been laid off due to seasonal shifts, because they don't have the needed job skills, because of a recession in their state or region--they can obtain financial assistance that will support them and their dependents until they obtain jobs and, if needed, additional training to enable them to work.

Thank you for the opportunity to offer suggestions on behalf of the Paternal Involvement Demonstration Project to this sub-committee as it considers welfare reform.

Mr. ENSIGN. Thank you, Mr. Harris.  
Mr. Simmons.

**STATEMENT OF SAMUEL J. SIMMONS, PRESIDENT AND CHIEF  
EXECUTIVE OFFICER, NATIONAL CAUCUS AND CENTER ON  
BLACK AGED, INC.**

Mr. SIMMONS. Yes, Mr. Ensign and Congressman Ford, the National Caucus and Center on Black Aged appreciate the opportunity to testify at this hearing today.

I have a statement that is much longer than 5 minutes, and I have submitted that for the record.

All that I would like to do in view of the fact that there are a lot of points that have been made over and over again, I would just like to highlight one point in particular. At the outset, NCCBA wishes to reaffirm its support for SSI because it is an essential, effective, and moral imperative safety net program that works for the aged, blind, and disabled. SSI is certainly not a perfect program.

NCCBA believes there are many aspects that need improvement, including enforcement of SSI's stringent rules. However, the SSI Program is, in our view, infinitely superior to the former State administrative programs of old age assistance, aid to the blind, and aid to the permanently and totally disabled. Therefore, NCCBA urges this Subcommittee to keep SSI as a freestanding safety net program. We believe that it would be a serious mistake to turn the clock back to the dark days when States administered cash assistance programs for low-income, aged, blind, and disabled persons. Quite frankly, the States had their chance and squandered it.

The evidence was clear when Congress enacted SSI in 1972 that States simply did not have the capability to administer cash assistance programs for aged, blind, and disabled persons in an effective and efficient manner. Nothing has changed, in our view, to provide compelling evidence that States now have the capacity to assume this complex and difficult task.

NCCBA realizes that the Social Security Administration has had problems in administering SSI. However, Social Security's performance, in our view, has been superior to State administered cash assistance programs.

Administrative costs of the Social Security Administration are much lower for States administering assistance programs. For example, the Social Security administrative costs represent about 1.5 percent of outlays for Social Security and SSI combined. We have been informed by the Social Security Administration that this is far below administrative costs for State administered net programs. Consequently, NCCBA opposes proposals to consolidate SSI with other programs or to block grant SSI to the States.

Past history clearly shows that low-income older Americans, especially minorities, fare poorly in block grant programs because they are not as visible and as outspoken as other clients. This is one of the key reasons that Congress has enacted categorical legislation to assure that programs appropriately address the needs of low-income persons.

These programs have often been among the premier programs. Moreover, the disadvantaged and deserving low-income blind and disabled individuals should not be denied safety net benefits be-

cause some State or local official administering a block grant program believes that it is more politically expedient to serve other visible groups other than poor persons. NCCBA believes that the Federal floor under the programs of the aged, blind, and disabled is absolutely necessary to assure minimal decent standards for low-income, blind, and disabled persons, whether they are in Mississippi, Arkansas, Florida, California, or New York.

State governments should also be concerned about transferring or block granting SSI to the States, especially if caps are imposed. If the annual appropriations would be insufficient, States would find it necessary to reduce benefits, delay the payment of benefits, eliminate certain categories of beneficiaries, or place applicants on waiting lists.

States could cover their costs through higher taxes. States electing to do so would not escape without added costs. They probably would have to absorb higher costs for foster care, institutionalization, a growing homeless population, and general or emergency assistance programs. Almost everyone dropped from SSI or granted benefits would lose Medicaid coverage. However, many aged or disabled former SSI recipients would still need medical care. Then States would be forced to either pick up the significant portion of this added cost or process, a part of these costs, to local governments.

Mr. ENSIGN. Mr. Simmons, could you just wrap it up real quick? You are at the end of your time.

Mr. SIMMONS. Yes. NCCBA really feels that SSI is a very important program, and we feel that it is not totally broken. It does not really need to be fixed. It needs to be improved.

Thank you very much.

[The prepared statement follows:]

**TESTIMONY OF SAMUEL J. SIMMONS  
NATIONAL CAUCUS AND CENTER ON BLACK AGED, INC.**

Congressman Shaw, Congressman Ford, and Members of the Subcommittee on Human Resources, the National Caucus and Center on Black Aged appreciates the opportunity to testify at this hearing.

At the outset, NCBA wishes to reaffirm its support for SSI because it is an essential, effective, and morally imperative safety net program that works for the aged, blind, and disabled. SSI is certainly not a perfect program. NCBA believes there are many aspects that need improvement, including enforcement of SSI's stringent rules. However, the present SSI program is, in our view, infinitely superior to the former state-administered programs of Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled.

**A. Keep SSI as a Freestanding Program**

Therefore, NCBA urges this Subcommittee to keep SSI as a freestanding safety net program. We believe that it would be a serious mistake to turn the clock back to the dark days when states administered cash assistance programs for low-income aged, blind, and disabled persons. Quite frankly, the states had their chance and squandered it. The evidence was very clear when Congress enacted SSI in 1972 that states simply did not have the capability to administer cash assistance programs for aged, blind, and disabled persons in an effective and efficient manner. Nothing has changed, in our view, to provide compelling evidence that states now have the capacity to assume this complex and difficult task.

NCBA realizes that the Social Security Administration has had some problems in administering SSI. However, the Social Security Administration's performance, in our view, has been superior to the state-administered cash assistance programs. Administrative costs for the Social Security Administration are much lower than for states administering assistance programs. For example, the Social Security Administration's administrative costs represent about 1.5 percent of outlays for Social Security and SSI combined. We have been informed by the Social Security Administration that this is far below administrative costs for state-administered safety net programs.

Consequently, NCBA opposes proposals to consolidate SSI with other programs or to block grant SSI to the states. Past history clearly shows that low-income older Americans fare poorly in block grant programs because they are not as visible and outspoken as other client groups. This is one of the key reasons that Congress has enacted categorical legislation to assure that programs appropriately address the needs of low-income elderly persons. These programs have often been among the government's premier programs.

Moreover, disadvantaged and deserving low-income aged, blind, and disabled individuals should not be denied safety net benefits because some state or local official administering a block grant program believes that it may be more politically expedient to serve other visible groups than poor persons who would otherwise qualify for SSI.

NCBA believes that a federal floor under the incomes of the aged, blind, and disabled is absolutely necessary to assure some minimal decent standard of living for low-income aged, blind, and disabled persons, whether they live in Mississippi, Florida, California or New York.

State governments should also be deeply concerned about transferring or block granting SSI to the states, especially if spending caps are imposed. If the annual appropriations would be insufficient, states may find it necessary to reduce benefits, delay the payment of benefits, eliminate certain categories of eligible beneficiaries, or place new applicants on waiting lists. States would be faced with further unattractive choices:

- States could cover the cuts through higher taxes. States electing to do nothing would not escape without some added cost. They probably would have to absorb higher costs for foster care, institutionalization, a growing homeless population,

and general or emergency assistance programs.

- Almost everyone dropped from SSI or not granted benefits would lose Medicaid coverage. However, many aged or disabled former SSI recipients would still need medical care. Then, States would probably be forced either to pick up a significant portion of this added cost or to transfer a part of this cost to local governments.

#### **B. Immigrants**

Now, I would like to turn briefly to three groups under attack in various welfare reform proposals -- legal immigrants, alcoholics and drug addicts, and disabled children.

NCBA is deeply concerned about the growing "nativism" in the U.S., which has given expression to xenophobic feelings and legislative proposals to deny assistance benefits, including SSI, to most legal immigrants. This attitude often reflects false stereotypes that exist about immigrants.

One common stereotype is that legal immigrants are freeloaders who take advantage of the welfare system. However, most adult legal immigrants are hard working people who pay their taxes and abide by the rules in our society. They have made many contributions in a variety of fields, including medicine, law, science, academia, and others. In fact, immigrants have accounted for about 30 percent of all U.S. nobel-prize winners since 1901. The harsh reality is that many more native-born Americans are on welfare than immigrants.

Proposals to deny SSI and other benefits to the vast majority of legal immigrants may create a major constitutional hurdle. For example, the U.S. Supreme Court unanimously ruled in the Graham v. Richardson case in 1971 that state laws distinguishing between permanent resident aliens and citizens for receipt of public assistance constitutes a violation of the equal protection clause under the Fourteenth Amendment. NCBA believes that a proposal unanimously adopted by the Commission on Immigration Reform is fairer and more substantively sound. This panel recommended that affidavits of sponsors of immigrants should be legally enforceable during the period that a sponsor's income is deemed available to an immigrant to prevent the individual from becoming a public charge. We believe this proposal has a much better chance of withstanding constitutional scrutiny than legislation that would generally deny SSI benefits to immigrants, except persons seeking political asylum in the U.S. or aliens 75 years of age or older lawfully in the U.S. for permanent residence and who have resided in the U.S. for at least five years. We, therefore, urge the adoption of the Commission on Immigration Reform proposal.

#### **C. Alcoholics and Drug Addicts**

NCBA also believes that Congress should allow recently enacted legislation governing the payment of SSI benefits to alcoholics and drugs addicts to run its course, before taking precipitous action to change the rules again. The ink is barely dry on the Social Security Administrative Reform Act, which includes several provisions to tighten requirements for disabled individuals because of alcoholism or drug addiction to receive SSI and Social Security disability benefits.

This new law made several major and rather sweeping changes governing procedures for payment of benefits to these individuals. These include:

- A requirement that all beneficiaries have a representative payee to manage monthly benefits and an increased reliance on community-based agencies to serve as representative payees;
- A 36-month time limit on benefits; and
- A requirement that all states have a referral and monitoring agency.

We believe that it makes more sense now to monitor the implementation of the provisions in the Social Security Administrative Reform Act affecting individuals who are disabled because of alcoholism or drug addiction. We do not believe that a sufficient track record exists to justify replacement of these measures.

Alcoholism and drug addiction are treatable diseases. We can certainly help persons who are disabled because of alcoholism or drug addiction to receive needed treatment in order that they can return to the mainstream of our society. NCBA believes that treatment should be our nation's principal response. A cutoff of benefits will only exacerbate the situation for many alcoholics and addicts and quite likely will be more costly to our nation, especially if they wind up in prison or some other institution or on the street seeking other forms of assistance.

#### **D. Disabled Children**

NCBA urges the Subcommittee to proceed carefully before rushing to pass legislation that would substitute a limited list of services for the SSI cash benefits that help children with severe disabilities. We know that the temptation may be strong to enact legislation, especially in view of recent newscasts alleging some parents coach their children to act abnormally to qualify for SSI. Unfortunately, these so-called documentaries have oftentimes been very misleading and sometimes inaccurate. In many instances the media have featured unsubstantiated and sensationalized stories about children being taught by their parents to collect so-called "crazy dollars". The stories build on common but generally erroneous assumptions that it is no more expensive to raise a child with a disability — especially a mental or behavioral disorder — than to raise a normal child. The media certainly have not provided a balanced presentation and all the facts to viewers, listeners or readers. Here are some important facts to consider:

- Without SSI, many families who cannot afford to care for their children with disabilities at home would be forced to institutionalize them or turn them over to foster care homes. SSI benefits for disabled children are essential to a national policy that stresses family preservation.
- SSI cash benefits to families who have a child with a serious disability help to meet several critical needs. They help to pay for the basic needs of a child's life — food (e.g., special formulas for managed diets), clothing (e.g., adapted clothing), and shelter (e.g., home modifications), which cost more for a disabled child. They pay for extraordinary expenses of raising a child with a severe disability or may offset the loss of income because a parent must remain unemployed or underemployed to provide necessary care.
- SSI benefits for families who have children with severe disabilities help to keep those families together and out of bankruptcy.
- Disabled children represent a relatively small proportion of all SSI recipients — about 850,000 in total or roughly 13 percent of the total number of SSI beneficiaries.

#### **E. Enforcement**

NCBA certainly recognizes that some aspects of SSI clearly need more effective enforcement to guard against fraud and abuse. We urge the Social Security Administration to take appropriate and necessary steps to assure that only those who legally qualify for SSI actually receive benefits. We also urge the Subcommittee to provide the Social Security Administration with the necessary personnel to discharge its responsibilities fully and effectively. The Social Security Administration has been seriously hampered in carrying out its enforcement duties because of hefty cuts in staff in recent years.

Furthermore, we urge that enforcement action not only be directed at poor persons who may attempt to game safety net programs that Congress established to protect the disadvantaged. We must also turn our attention to the number one revenue loser in our nation — the failure to collect approximately \$100 billion in taxes. Much of this revenue is uncollected because massive

cheating exists in our society. We must address this problem, too, if our tax system is to have the confidence and respect of the vast majority of people who report their income and deductions fully and pay their legal taxes. We realize that this is outside the jurisdiction of the Human Resources Subcommittee, but it is within the responsibility of the Ways and Means Committee. It simply cannot be ignored if our nation is serious about reducing the budget deficit and is fully committed to preventing cheats from undermining our system.

#### **F. Conclusion**

In conclusion, most people support welfare reform in the U.S. NCBA does, too. However, we want the reform to be well thought out, fair, and substantively sound. We urge the Subcommittee to act carefully and not too hastily in order to assure that our future public assistance programs are, in fact, better than what currently exists.

We firmly believe that our proposals meet these tests. We, therefore, urge the Subcommittee to adopt our recommendations.



Mr. ENSIGN. Thank you for your testimony.

Mr. Ford, would you like to inquire?

Mr. FORD. Yes, thank you very much.

Mr. Epstein, after hearing your testimony, am I correct in saying that you think that this Contract With America or this Personal Responsibility Act is out to punish people but not to save the children who are living below the poverty thresholds and strengthening families in this country and responding to the economic needs of our communities? Are you directly saying that this Contract With America as it relates to the welfare reform component, is a punishment on people in this country, poor people?

Mr. EPSTEIN. I think that as the act exists—and I was focusing on the nutritional block granting—it is clear that there are things like WIC and school lunch that have just—

Mr. FORD. You made a statement earlier, though, that it would be three times worse than the Reagan 1981 budget—

Mr. EPSTEIN. That the cuts would be three times as great. In 1981, 2,000 schools dropped out of the program. There are now 93,000 schools. We in the past 2 years have worked hard to come up with new nutritional guidelines to help those kids, and if these cuts go through, we could have thousands more schools, or tens of thousands, as some have guessed, dropping out of that program. So, yes, I think—

Mr. FORD. Would that be bad for the—

Mr. EPSTEIN. I think that it would be very bad for low-income children in this country.

Mr. FORD. And block granting any of these programs and the cuts that they are talking about would be punitive; is that correct?

Mr. EPSTEIN. That is what I see it as right now as it exists, yes.

Mr. FORD. Mr. Burgess, you go on to talk about these fathers, and you used a couple of examples. You were talking about mothers who have married who are receiving welfare because they will not give up the kids to those who are willing to support these particular children. Why wouldn't these men support their kids under child support? These mothers would not have to be on welfare if they were actually paying up their child support. What would be the purpose of them having custody of the kids, for them to take care of their kids?

Mr. BURGESS. Well, the purpose would be, first of all, that there would be a parent there rather than some other form of child care.

Mr. FORD. You are not suggesting that the mother is not there. You are just saying that the mother is on welfare.

Mr. BURGESS. I am saying that, yes, but the men that call the hotline very frequently are totally restricted from access to their children one way or another, and in some cases—

Mr. FORD. But that should not suggest that these men should not pay child support. That is what we want in this bill, a strong child support enforcement provision that would say to these fathers that you are going to have to pay this child support. In all fairness, I think the men should have rights to custody of their kids and to see their kids. But, however, they should be able to—they should be forced to pay if they are not willing to pay that child support, and maybe that mother and these children that you make reference to would not have to be on welfare.

Mr. BURGESS. We are not suggesting that they not pay child support. What we are suggesting is that they be the first placement of choice whenever the mother wants to go on welfare and the father is able to support them otherwise.

Mr. FORD. You mentioned remember these girls when developing welfare policy. You also said that the national research has found that 31 percent of the teen pregnancies are intentional. You are not suggesting that out of that 31 percent they are all welfare recipients?

Mr. BURGESS. No, we are not.

Mr. FORD. I just want to make sure that you would not try to suggest that all of the intentional teen pregnancies are welfare recipients.

Mr. BURGESS. No. I think a large percentage of them are. I do not know what that percentage is, but, no, I am not suggesting that.

Mr. FORD. We do not want to give the welfare system the total blame for all of the out-of-wedlock births in this country and all of the other problems of the poor.

Mr. BURGESS. No.

Mr. FORD. Thank you.

Mr. ENSIGN. Thank you. We are going to have to stand in recess. We will reconvene with the next panel. Thank you very much for your testimony.

Mr. Epstein, I also want to just remind you that this Committee does not have jurisdiction over the Food Stamp Program. That is under the jurisdiction of other committees. I appreciate your comments on that, but we do not have the jurisdiction over those programs.

Mr. EPSTEIN. I appreciate that. Thank you.

Mr. ENSIGN. Thank you.

[Recess.]

Mr. ENGLISH [presiding]. Thank you, ladies and gentlemen. I apologize for the delay, and I expect that a number of my colleagues will be along in just a couple of minutes.

We appreciate your taking the time today to come and testify before the Committee. I would like to at this point introduce the panelists and give you each 5 minutes to present your testimony. I apologize for our compact schedule, but there will be an opportunity for Members of the Committee to follow up with questions. If your testimony exceeds 5 minutes, we would ask you to submit it for the record, and it will be included in the Committee hearing record.

The next panel will consist of Ron Henry, cofounder of the Men's Health Network, of Washington, DC; George Liebmann, of Baltimore, Maryland; a constituent of mine, Walt Myers, of Saegertown, Pennsylvania, testifying on behalf of the Mon-Valley Unemployed Committee; Edward Faine, of Takoma Park, Maryland; and Jonathan Stein, legal counsel of the Community Legal Services, Philadelphia, Pennsylvania.

Welcome. I would like to recognize Ron Henry for his remarks.

**STATEMENT OF RONALD K. HENRY, COFOUNDER, MEN'S  
HEALTH NETWORK**

Mr. HENRY. Thank you, Mr. Chairman. I am Ron Henry for the Men's Health Network.

With the openness and patience that the Committee is showing today, I am afraid you are in danger of giving government a good name. But we thank you for this opportunity.

Mr. Chairman, in providing services to children, we must always begin with the understanding that the best service we can provide to at-risk children is to reduce the number of children who become at risk. Regardless of the social pathology that is under study, whether it be teenage pregnancy, drug abuse, suicide, low self-esteem, juvenile delinquency, poor academic performance, or any of our other social ills, our greatest causal factor is family breakdown and father absence.

Virtually all of our current social welfare programs are Band-Aids and tonics to treat our children's afflictions. Fathers, Mr. Chairman, are the immunization program that will reduce the tragic need for Band-Aids and tonics.

In a study conducted by the University of Pennsylvania in Baltimore among teenage girls, approximately 25 percent of them became pregnant over the study period. But not one who was living with her dad became pregnant.

Mr. Chairman, too often our government programs have forgotten the simple axiom that prevention is better than treatment. This hearing on welfare reform specifically demonstrates the need to reform government programs that focus on treating symptoms while leaving the cause of those symptoms in place.

The tunnel vision that afflicts our current policy efforts can be seen at all stages of the welfare process. It is rare for a caseworker even to seek the identity of the child's father and almost unheard of for the caseworker to seek information regarding that father's fitness and willingness to provide for the child's needs. If the father independently comes forward in an effort to assist the child, the caseworker's standard response is to resist all involvement other than cash transfer payments. This resistance is wrong.

The government's interest is in protecting the child, not in defending one parent's ownership of that child against all others. Family preservation must be understood to include and encourage the participation of fathers and must move beyond the mere administration of programs designed to prop up single parents as stand-alone entities.

It is time to reform welfare, Mr. Chairman. We must change the system under which our only criteria are that beneficiaries must continue to neither work nor marry. Children are harmed when the unintended consequence of policy is to favor nonworking, single-parent households over all others. Most law-abiding citizens work 40 or 45 years to qualify for a Social Security benefit that is smaller than a teenager's welfare package.

Welfare reform, Mr. Chairman, requires attention to four areas: Responsibility, paternity, accountability, and eligibility.

Because of the limitation of time available to us today, I am going to focus just on paternity and eligibility and leave for my

filed remarks the other matters of responsibility and accountability.

Mr. Chairman, if we can do nothing else in welfare reform beyond universal paternity establishment, that is a critical, essential, and unescapable need. We can have no excuses. Every child is entitled to know who his or her father is. The stories that you hear about, oh, we cannot ask the mother to tell us who the father is because the father might be abusive or might be this or might be that do not hold water. The child has the right to know who his father is. If there is a problem with either mom or dad, we have the legal capability to take care of that. But we cannot allow either parent's unilateral representation to deny the child access to and knowledge of the other parent.

Fathers must be included in all programs. They cannot simply be sources of cash transfer payments. We need to look to fathers for the emotional, physical, and psychological support that they can give.

We have heard a lot of talk in welfare reform about the needs for child care. Well, Mr. Chairman, I submit to you the greatest untapped pool of child care is fathers. We have got to stop excluding fathers from the equation.

Look at some of our programs. Women, Infants, and Children, where are the fathers? We have defined them out of our family policy, and it is time for that to change.

Mr. Chairman, when it comes to eligibility, we submit that it is time to look at the entire kinship care network. Right now we look only at the cash income available to the single custodial mother in deciding welfare eligibility. It is time to look at the other relatives of that child. Where is the father? Is the father fit and willing to provide custody? Is the father or the father's family or the other extended kinship care relatives prepared to step in and provide for this child without falling into the trap of welfare?

Mr. Chairman, we submit that fathers and the family are the most underutilized resource and are the solution to welfare reform.

Thank you.

[The prepared statement follows:]

**TESTIMONY OF THE MEN'S HEALTH NETWORK  
BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE ON HUMAN RESOURCES  
FEBRUARY 2, 1995  
PRESENTED BY RONALD K. HENRY**

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The Men's Health Network thanks the Chair and Committee Members for scheduling this very important hearing on reform of the federal role in welfare programs.

In providing services to children, we must always begin with the understanding that the best service we can provide to "at-risk" children is to reduce the number of children who become "at-risk". Regardless of the social pathology that is under study, whether it be teenage pregnancy, drug abuse, suicide, low self-esteem, juvenile delinquency, poor academic performance, or any of our other social ills, the greatest causal factor is family breakdown and father absence.

Virtually all of our social welfare programs are band aids and tonics to treat our children's afflictions. Fathers are the immunization program that reduce the tragic need for band aids and tonics. Too often, our government programs have forgotten the simple axiom that prevention is better than treatment. This hearing on welfare reform specifically demonstrates the need to reform government programs that focus on treating symptoms while leaving the cause of the symptoms in place.

In virtually all of our programs, the phrase "family preservation" has become narrowly defined to mean the propping up of the single mother household as a stand-alone entity. While most single parents do all they can for their children, and many children of single parents develop beautifully, the inescapable history of our programs demonstrates that many single mother households will never succeed as stand-alone units and many children in those households are in grave danger, both physically and developmentally.

The tunnel vision that afflicts current "family preservation" efforts can be seen at all stages of the child welfare process. It is rare for a caseworker even to seek the identity of the child's father and almost unheard of for the caseworker to seek information regarding the father's fitness and willingness to provide for the child's needs. If the father independently comes forward in an effort to assist the child, the caseworker's standard response is to resist all involvement other than cash transfer payments. This resistance is wrong. The government's interest is in protecting the child and not in defending one parent's ownership of that child against all others. "Family preservation" must be understood to include and encourage the participation of fathers and must move beyond the mere administration of programs designed to prop up the single parent as a stand-alone entity.

The absurdity of the current system is even more starkly highlighted in situations where the caseworker realizes that the child must be taken from the care of the single mother. In every state in the country, the standard operating procedure is for the bureaucracy to skip over the father and the entire extended family and consider only third party placement. The bureaucracy's fallacy is in viewing child placement as a simple dichotomy -- an unfit single mother versus third party foster care or adoption.

It is time to reform welfare. We must change the systems under which our only criteria are that beneficiaries must

continue to neither work nor marry. Children are harmed when the unintended consequence of policy is to favor non-working, single parent households over all others. Most law-abiding citizens work 40 to 45 years to qualify for a social security benefit that is smaller than a teenager's welfare package.

Welfare reform requires attention to four areas: responsibility, paternity, accountability, and eligibility.

**Responsibility.** Every welfare recipient should be required to devote 40 hours per week to some combination of job search, training and work, with a strong emphasis on work. Revising current programs to end the existing discrimination against two-parent families will also increase access to child-care from both parents and reduce the cost of day-care needs.

**Paternity.** Current policy fails to distinguish between "runaway" and "thrown away" or "driven away" parents. Successful paternity establishment requires that fathers must be accepted and respected in all programs as family members rather than merely as cash donors.

**Accountability.** Prior efforts at reform have been reluctant to impose sanctions against uncooperative and irresponsible adults because of a fear of "punishing the child." The reality is that current policies allow children to be held as hostages to guarantee continued subsidy of adult irresponsibility.

**Eligibility.** Minor parents must live with or at the expense of their own parents. Income based eligibility standards should consider both the income of the parents and the resources that are voluntarily available from the kinship network. Fraud must be addressed as a serious matter.

#### **A. OVERVIEW OF PRINCIPLES AND PROGRAMS**

There is widespread agreement that the current welfare system is destructive of the families it was intended to help. Despite its good intentions, the government has made a devil's bargain with the poor -- "We will give you money as long as you continue to neither work nor marry." Current programs and many reform proposals are patronizing. They assume that large classes of citizens are simply too stupid and incompetent to make any current or near term contribution to their own support. Real welfare reform requires recognition that there is no respect for the individual unless there is respect for the individual's labor.

##### **1. "Making Work Pay": Rhetoric and Reality**

Work always pays. Our problem is that we have established a parallel system under which non-work often pays better. Most law abiding citizens work 40 or 45 years to qualify for a social security benefit that is smaller than a teenager's welfare package. Many welfare recipients are not unemployed, they are prematurely retired. We have long recognized that Social Security rules discourage paid employment among senior citizens. We have recently recognized that welfare rules discourage paid employment among welfare recipients. The cornerstone of welfare reform must be respect for the importance and dignity of work. Except for the small number of people who are genuinely unable to make any contribution to their own needs, welfare must be a supplement, not a substitute for work.

Welfare reform requires attention to four areas: responsibility, paternity, accountability, and eligibility.

## 2. Responsibility

Responsibility should be immediate, mandatory and universal. Beginning immediately with entry into any welfare program, every recipient should be required to devote 40 hours per week to some combination of job search, training and work with a strong emphasis on work. Actual work experience is generally the best training for advancement in the work place. An immediate, universal work requirement also eliminates the "no job" option and encourages serious search efforts for the best available job.

The work requirement can be satisfied by private employment or by unpaid public service in exchange for receipt of the welfare benefit. Work programs should not discriminate against the non-welfare working poor. Vouchers and other special incentives to hire welfare recipients create the risk of displacing other workers. We should not support programs that have the unintended consequence of encouraging people to enter welfare as the path to job preferences. Community service jobs (e.g., assignment to charitable organizations) provide benefits to the community and training to the employee at little or no government cost. Many of the current, unmet needs of communities can be satisfied by this new pool of labor as a supplement to, rather than a substitute for, current employees.

All programs must be open to and end the current discrimination against two parent families. In two parent families, at least one parent must satisfy the 40 hour requirement.

Welfare reform should also begin the process of examining barriers to entry-level job creation. Many worthy tasks in society are not performed because the total cost of obtaining labor, including regulatory and recordkeeping burdens, exceeds the value of the service. We need to examine the extent to which willing workers have been priced out of the market by government mandates.

Child care may be less of a problem than argued by some. Most current working parents utilize some low-cost combination of family, friends and school to satisfy day care needs. As discrimination against two parent households is eliminated, a greater number of children will have access to child care from both parents. Finally, a portion of the community service assignments can be made to child care organizations to increase the available supply at little or no incremental cost. The Head Start Program already utilizes large numbers of low income parents who begin as unpaid interns and progress to paid staff and supervisory positions.

## 3. Paternity

Current policy fails to distinguish between "runaway" and "thrown away" or "driven away" parents. The federal government spends approximately two billion dollars per year on child support enforcement but purposefully and consciously excludes fathers from all parent-child programs. Under current AFDC rules, the low income father who wishes to be a physical and emotional asset to his children also becomes a financial liability by disqualifying them from most assistance. Research conducted by HHS itself confirms that both mothers and fathers distrust the bureaucracy and work jointly to conceal paternity. We cannot be surprised by low income parents who separate or conceal paternity when our policies make such behavior the economically rational course. A work requirement for single parents and an end to discrimination against two-parent households will change the dynamics of paternity establishment.

Eligibility for all federal programs should require establishment of paternity, beginning with eligibility for the WIC program. That program itself must be revised to develop and encourage the roles of fathers.

Paternity establishment forms in hospital programs should encourage the parties to voluntarily establish custody and visitation as well as financial support. Avoidance of poverty and welfare dependency are directly linked to father involvement. Child support compliance exceeds 90 percent in joint custody families. Child poverty rates and welfare dependency rates are much lower in father custody families than in mother custody. Women's workforce participation and economic security are increased in joint custody and father custody families.

#### 4. Accountability

AFDC and other programs are intended for the benefit of the dependent children. Adults receive the benefits and are expected to participate in the programs in support of the children's needs. Failure or refusal to participate in required programs or to spend the cash payments for the benefit of the children should be seen as evidence of child neglect or abuse. Such evidence should weigh heavily in determining whether it is in the best interests of the child to transfer custody to a more responsible relative or to consider a foster care placement. Prior efforts at reform have been reluctant to impose sanctions upon uncooperative and irresponsible adults because of a fear of "punishing the child." The reality is that current policies allow children to be held as hostages to guarantee continued subsidy of adult irresponsibility.

All recipients should be required to reimburse the value of benefits received. Currently, child support paid by non-custodial parents is used for reimbursement after a \$50 per month waiver. The custodial parent should have the obligation to reimburse one-half of the welfare payments made on behalf of the child and each adult should have the obligation to reimburse benefits paid on behalf of that adult. Many welfare recipients require only short term assistance and that assistance can fairly be treated as a loan or a line of credit rather than as a grant. A uniform reimbursement requirement also encourages all recipients to minimize the period of dependency, take no more benefits than are required, and resume paid employment at the earliest possible date. Community service should be counted toward the reimbursement obligation but should be valued at a level that does not compete with the attractiveness of paid employment.

#### 5. Eligibility

Under the law of each state, parents have an obligation of financial responsibility for their minor children. If the minor children themselves become parents, the minor parents should continue to be the obligation of their own parents. Accordingly, the birth of a child to minor parents may create a requirement for welfare assistance to the new infant but does not create a requirement for assistance to the minor parents unless their own parents are unable to supply the required support. Minor parents must live with or at the expense of their own parents. Payments on behalf of the new infant should be made to the parents of the minor parents as their guardians.

Welfare payments should be limited to citizens and immigrants with refugee status.

Income based eligibility standards should consider both the income of the parents and any resources that are voluntarily



available from the kinship network. See attached proposal for more details.

Fraud must be addressed as a serious matter. Welfare benefits are based on the applicant's self-reporting of available income. If welfare fraud has concealed additional income, welfare eligibility must be recalculated, at a minimum, to include the demonstrated capacity for self support. See attached proposal for further details. Other fraud reduction mechanisms including electronic transfers and improved identification verification must be adopted.

The earned income tax credit must be modified to reduce the incentive and opportunity for strategies such as over-reporting of income to maximize benefits and to reduce discrimination against two parent families. Currently, many working class couples are ineligible for EITC but, simply by splitting into two dysfunctional fragments, both become eligible.

#### **B. WELFARE ELIGIBILITY -- KINSHIP ALTERNATIVES TO WELFARE**

There is a broad consensus that welfare dependency is not in the best interests of children. Recent legislative initiatives have begun to examine the structural flaws in existing welfare programs. One of the best opportunities for reducing welfare dependency is to be found in the development of more thoughtful eligibility criteria to better identify the children who are actually in need of welfare assistance.

Currently, most welfare programs look only at the cash income of the custodial single parent without regard to the availability of voluntary kinship or extended family assistance. The attached proposal provides that welfare eligibility should be determined by examining all resources that are available voluntarily through the child's kinship network.

The proposal does not relieve the child's parents of their obligations nor does it impose new obligations on other relatives. Only voluntary kinship assistance is considered.

#### **Examples:**

- Brother is willing to care for child of drug abuser with or without change of custody/guardianship. Welfare dependency is not in the best interests of the child and eligibility should be denied.
- Father of child is willing to provide child care with or without change of custody while mother works. Welfare dependency is not in the best interests of the child and eligibility should be denied.
- Adolescent mother lives with her parents. The parents have a legal obligation to support their adolescent daughter and are willing to care for grandchild while daughter completes school or works. Welfare dependency is not in the best interests of the child and eligibility should be denied.

### **KINSHIP CARE ACT OF 1995**

#### **SECTION ONE FINDINGS AND PURPOSES**

The Congress of the United States finds that:

Welfare programs are intended to provide temporary economic sustenance for individuals while they seek to

enter the workforce and eventually extricate themselves and their dependents from poverty.

Welfare programs have fallen short of this goal as many individuals receiving assistance fail to find and retain jobs.

The failure to escape poverty persists through generations as children of welfare families go onto welfare rolls as adults, resulting in a needless waste of human potential as well as economic and other costs to society.

A primary cause of intergenerational welfare dependency is the adverse impact of the welfare environment upon children.

To break intergenerational welfare dependency requires, where possible, the separation of children from the welfare environment and their placement into family situations that will be conducive to rejection of the welfare career.

Current welfare provisions lack measures that would assist in the elimination of intergenerational welfare dependency and, indeed, actually encourage such dependency by ignoring the availability of non-welfare alternatives for dependent children.

It is therefore in the public interest to amend the welfare laws to eliminate the encouragement of intergenerational welfare dependency and to promote the placement of children in non-welfare environments more conducive to an economically and socially productive adulthood.

#### SECTION TWO    AMENDMENT TO PUBLIC LAW NO. \_\_\_\_\_

Section \_\_\_\_\_ of Public Law No. \_\_\_\_\_ is hereby amended to add a new subsection \_\_\_\_\_ as follows:

Subsection \_\_\_\_\_:

No person shall be eligible to receive benefits under this program by reason of the need of that person to support one or more child dependents unless the administrator [or agency or other appropriate state official] has certified, after undertaking diligent efforts, that there are no family members who are fit and willing to provide for the needs of such child without resort to welfare dependency. Such certification shall be required prior to initial entry into the program and, thereafter, upon periodic reviews of eligibility conducted annually.

#### C.    TEENAGE PARENTS - WELFARE ELIGIBILITY

Under the law of each state, parents have an obligation of financial responsibility for their own minor children. If the minor children themselves become parents, these minor parents should continue to be the obligation of their own parents.

Current welfare eligibility rules subvert this basic rule of parental responsibility and create perverse incentives for teenage child bearing. Simply by having a child, federal programs give the teenager an independent income source and relieve the teenager's parents of the obligations imposed by state law.

Under state law, a minor must live with or at the expense of his or her own parents. The birth of a child to that minor should not be a basis for the federal government to override state law. The federal government should not subsidize the establishment of independent households by minors.

If the parents of the minor are already on public assistance, their payments should be governed by the rules applicable to other families experiencing the birth of an additional dependent. If the parents of the minor are a danger to the minor or grandchild, the case should be processed under the normal rules of guardianship used by the state. Again, there is no justification for a federal program which automatically establishes all minors as independent households upon the birth of a baby.

#### **D. DIVORCED FAMILIES - DEPENDENT TAX EXEMPTION**

Prior law provided that the dependent exemption for a child of divorced parents was available to the parent providing greater than 50% of the child's support. At that time, it was difficult to determine which parent provided greater than 50% of the support and the law was changed in 1984 to create a presumption that the exemption would be given to the custodial parent. The current law has created some new problems and has not kept pace with federally imposed changes in the establishment of child support orders.

Most divorce litigants do not have lawyers and, even with lawyers, most divorce decrees fail to address the allocation of the dependent tax exemption. Some courts have taken the position that they do not have authority to allocate the exemption to the non-custodial parent even in cases where the custodial parent is unemployed and it is clear that the non-custodian is providing 100% of the child's financial support. Allocating the dependent exemption to a household with no income does not help the child and, in fact, reduces the after-tax income available to support the child.

Recent federal legislation governing the establishment of child support orders has eliminated the uncertainty which motivated the 1984 law regarding allocation of the dependent exemption. In the past, child support orders were subjective, ad hoc determinations that did not identify each parent's share of the child's financial costs. Federal law now requires that each state have a presumptive, mathematical guideline for the establishment of child support. Under the "income shares" model used by most states, the state determines a child's costs and then allocates these costs in proportion to each parent's income. The child support computation formula thus establishes unambiguously which parent provides more than 50% of the child's financial support.

The law should be revised to provide that the dependent exemption shall be allocated to the parent who bears more than 50% of the child's financial support as established by the applicable child support order. To avoid ambiguity and dispute, the taxpayer claiming the exemption could be required to submit a copy of the court order as an attachment to the tax return. Most child support orders are now generated by computers using the state's child support formula and are set forth in a one page computer printout.

#### **E. RESPONDING TO WELFARE FRAUD**

In the District of Columbia and in most states, welfare fraud is a no-risk adventure.

If caught, the standard guilty plea merely requires restitution (sometimes only partial) which is paid out of future welfare benefits! Welfare is a disastrously anti-family program in which the government offers itself as a substitute for responsible two-parent family behavior. Welfare fraud multiplies the problem by making welfare more lucrative.

Welfare benefits are predicated on the assumption that the welfare recipient cannot earn an outside income and that a government subsidy is required for basic needs. Initially, we accept the applicant's unilateral assertion of this inability to earn an income. In the case of the welfare cheat, however, behavior proves that an income can be earned and the receipt of welfare benefits is simply a theft of benefits that are not needed. Having proved that an income can be earned, the welfare cheat should be disqualified from receiving benefits in the future at least to the extent of the earnings potential that has been demonstrated.

Past enforcement efforts have been backward. The welfare cheat is permitted to quit the unreported job and go back to the dole. The reverse should be true. Having demonstrated earning capacity, the welfare cheat should be disqualified from again asserting an inability to earn income.

In the current economic crisis of budget deficits and soaring welfare rolls, it may finally be possible to impose serious sanctions upon welfare cheaters. The following legislative suggestions are offered:

1. The presence of unreported income means that the welfare cheat either does not need or has less need for welfare. Accordingly, the law should provide that welfare benefits will be reduced or eliminated on a forward-going basis to reflect the income that was being earned during the fraud and thus can be earned in the future.
2. State laws providing for mandatory jail terms of not less than 30 days for all persons convicted of welfare fraud should be required as a condition for a state's receipt of federal funds.
3. State laws providing that conviction for welfare fraud is a sufficient basis to support a judicial finding that it is in the best interests of the child for custody to be placed with another relative should be required as a condition for a state's receipt of federal funds.
4. State laws providing that conviction for welfare fraud is a sufficient basis to support a judicial finding of neglect or abuse so that the child may be placed in foster care should be required as a condition for a state's receipt of federal funds.

Mr. ENGLISH. Thank you, Mr. Henry.  
The Chair will recognize Mr. Liebmann.

**STATEMENT OF GEORGE W. LIEBMANN, BALTIMORE,  
MARYLAND**

Mr. LIEBMANN. Thank you, Mr. Chairman.

I am a former counsel to the Maryland State Department of Social Services, and I have published several articles recently on the rather neglected subject of maternity homes in the United States. It is that subject that I intend primarily to address today.

I think I need not reiterate what so many witnesses have told you; that is, that it is essential that any legislation that is adopted deny cash benefits as a right to teenage mothers. The reason that is essential is not only because the average teenager is totally unequipped to administer a fund of several hundred dollars a month and that the funds that are paid them are usually utilized for perverse purposes. But it is also because, even if, as the administration bill proposed, those funds are paid to the welfare grandmother rather than the welfare mother, the initiation of payment marks a sort of coming of age in some households. It operates as a perverse incentive.

The evil effects of this I think are nowhere more dramatically shown than in the District of Columbia where benefits have been made available from the day of pregnancy until very recently, cash benefits, the overwhelming proportion of which are paid to teenagers in the homes of their parents, as the administration bill contemplates. And yet we know from Nicholas Eberstadt's recent article in the Public Interest that in the District of Columbia you have 35 or 40 percent of new teenage mothers who have received little or no prenatal care. They have received little or no supervision. You have rates of low-weight births that are the highest in the country and the society, and these people's children are going to be paying for many years to come for the neglect in the period immediately prior to childbirth as a result of these unsupervised cash benefits.

Merely transferring the benefits from the mother to the grandmother is not sufficient. What is necessary, in my view, both for deterrent reasons and for positive reasons, is adoption of the principle that where a teenager gives birth to a child, the only benefits that are payable are benefits which initially flow to a maternity home, and thereafter, after a period of residence in the maternity home, flow to a social agency to be disbursed for the benefit of the mother and her child.

This is not a new, untried approach. It was the method that was universally followed in this country until 1935, indeed until 1960. The mothers pension laws in effect prior to 1935 did not provide for aid to unmarried mothers. They provided aid only to widows, disabled, divorced, and deserted people, not to young teenage mothers. They went into private maternity homes.

Now, I have provided in that large pile that you see over there materials for distribution to Members of the Committee relating to the present status of maternity homes in this country. And contrary to popular belief, there are a great many of them.

There is a recent article in a journal called Adolescent Pediatric Gynecology, which is included in that package, and which is accompanied by a list of 215 maternity homes. I have also included in that package two articles that I have written on the subject of maternity homes, as well as a sample budget that is distributed by an organization known as Loving and Caring in Lancaster, Pennsylvania, that has organized several dozen maternity homes.

Contrary to the contentions of the administration, the monthly cost in many of these maternity homes is not appreciably greater than the total Federal benefit made available to a teenage mother under the various programs were those benefits to be cashed out. You are looking at monthly costs of perhaps \$1,000 or \$1,100 a month as against roughly \$850 a month in AFDC, food stamps, Medicaid, and housing subsidies. And yet the consequence of making available to an unwed mother for a period of 6 months or more a period of maternity home residence in terms of that mother's future behavior, in terms of the birth chances of the child, in terms of the ability of the mother to care for the child, are enormous. And it is clear that whatever added costs are involved in providing that sort of care for the first 6 months or so after birth or immediately preceding birth are going to be more than saved by the condition of the child later on, leaving aside the considerable savings that are bound to result from announcement of a rule that there are to be no cash benefits for teenage mothers.

If the caseload drops at all, the savings from that drop in caseload can be utilized to provide more adequate care for the mothers that do have children and for their children when they are born.

[The prepared statement follows. Attachments to the prepared statement are being held in the Committee's files.]

STATEMENT OF GEORGE W. LIEBMANN  
TO THE SUBCOMMITTEE ON HUMAN RESOURCES  
HOUSE WAYS AND MEANS COMMITTEE - FEBRUARY 2, 1995

I served as counsel to the Maryland State Department of Social Services in 1968-70 and in that capacity successfully argued the case of Dandridge v. Williams, 397 U.S. 471(1970). I also drafted some early legislation relating to subsidized adoptions and termination of parental rights in adoption. I have had a continuing interest in welfare issues and am the author of The AFDC Conundrum: A New Look at an Old Institution, 39 Social Work 36-43 (January 1993), Bad Incentives, The Family in America (Summer 1993), pp. 6-8 and Rebirth of the Maternity Home 6 American Enterprise 49-55 (1995). I represent no organization with an interest in these matters.

Any new legislation on welfare must decisively address the central problem: The rising tide of illegitimate births, and should not constitute merely an effort, largely foredoomed, to mitigate damage after the fact. Any new legislation must also be largely self-executing: it must send an unmistakable message which influences individual behavior and the culture of dependency and must not primarily rely on bureaucratic tinkering.

New legislation, in its application to recipients under the age of 21, must embody one central, unmistakable principle: no cash benefits as of right. It must send one unmistakable message: unattached childbirth means increased supervision, not increased independence. It must have as its central focus not guaranteed employment or public day care on the one hand, not orphanages and abortions on the other, but training in parenting skills, mutual aid, adoption services, maternity homes and moral and religious training in the voluntary sector. Its focus must be not on the labor market but on the upbringing of the young; its concern not parsimony but proper prenatal care and avoiding the loss of another generation.

The costs of this approach are not high. The Progressive Policy Institute has estimated that combined federal and state welfare, food, medical and housing benefits to unwed mothers, if cashed out, equal \$850 per month per welfare family. Progressive Policy Institute: Preventable Calamity: Rollins Back Teen Pregnancy (1994), 18. Typical budgets of recently established maternity homes, exclusive of capital costs, approximate \$750 per month. Loving and Caring, Inc., Operating a Group Housing Ministry (1995), 31-33.

These proposals are not radical. They represent a return to the approach to unwed motherhood that prevailed in law until 1935 and in practice until 1960, and that successfully dealt with the dislocations caused by mass immigration, the depression, and two world wars. The application of AFDC to unwed mothers was an historical and legal accident, which must now be corrected. See Yordan, Maternity Homes for Adolescents: A National Portrait, 7 Adolescent Pediatric Gynecology 214-19(1994).

As applied to the pending bills, this means the following:

1. AFDC in its application to unwed mothers under the age of 21 should be converted into a program of per capita grants to the states for social services to unwed mothers. The states should be encouraged to contract for delivery of these services by voluntary sector agencies. So long as grants are made to secular and religious agencies alike and individuals are excused from compelled religious observance, there should be no restrictions (such as those in section 2008(j) of the Administration Bill) on the religious content of programs.

2. Individual recipients under 21 should have an entitlement, as proposed by Senator Bradley, to a period of residence in a maternity home (such an entitlement is currently provided under California law). They should also have an

entitlement, as proposed in section 503 of the Administration bill, to case management services by maternity homes or other social agencies. Allocation of the remaining grants to the states and of their matching funds, should be left to the states and the voluntary organizations with whom they contract, who would be free to make payments to guardians, protective payments to providers, and assistance in kind or, to a limited degree, in cash, which would vary according to the needs of recipients. The program should not be an entitlement program for welfare mothers, nor should it be converted into an entitlement program for welfare grandmothers.

3. As proposed by Senator Bradley, there should be a program of assistance to new maternity homes. This should be pursued with urgency during the lead time provided before new rules become effective. The focus of public policy should be on the re-involvement of the private sector in the care of this vulnerable population. The use of excess hospital wards, HUD and RTC foreclosure properties, and public housing for this purpose should be facilitated.

4. The states should be encouraged to simplify their adoption laws, by limiting the rights of natural parents and the rights of children to identify natural parents, once adoption has taken place. As in recent British government proposals, which should be taken as a model, restrictions on interracial adoptions should be eliminated. Programs of subsidies for adoptive parents should be expanded, and funds provided for enhanced social work in support of adoptions.

5. The Committee should consider scheduling a day of testimony from representatives of the 215 existing maternity homes.



Mr. ENGLISH. Thank you, Mr. Liebmann. We appreciate your testimony, and you are welcome to submit additional testimony for the record.

The Chair will recognize Walt Myers of Saegertown.

**STATEMENT OF WALT MYERS, SAEGERTOWN, PENNSYLVANIA,  
ON BEHALF OF THE MON-VALLEY UNEMPLOYED COMMITTEE,  
HOMESTEAD, PENNSYLVANIA**

Mr. MYERS. Thank you, Mr. Chairman, Committee Members. My name is Walt Myers, and I was born and raised in northwestern Pennsylvania. I feel that I represent the shrinking middle class. I graduated from Saegertown High School and went to work in a local hospital as a maintenance man.

In 1966, I married and changed jobs to better support my family. I received industrial mechanics training, second and first class. For 13 years I remained there until the factory shut down. I vested my pension, but later received a letter stating that the pension fund went bankrupt. My family went through a fire, and we lost our home and everything in it. We had little insurance.

My family was later split by divorce. About 16 years ago, I remarried and now we have three beautiful daughters. We have been on and off welfare the last 6 years. I enrolled in a State-funded school in Meadville, Pennsylvania, which taught industrial building maintenance. I finished the course, and I received a 100-percent grade average on all my tests but one, which was 99 percent.

Education is good, but it does not pay my bills.

I found out that, due to my age, I lost out on several openings. I have worked for dairy farmers 7 days a week many times 20 hours a day for \$600 a month and no benefits.

I did this because in the State of Pennsylvania there was a welfare lien going against my home, and I wanted to keep it to a minimum. I have had to look at my wife with a swelled face and a black eye because she had an abscessed tooth. My caseworker told me I made too much money to have a medical card so she could have the tooth pulled.

We joined ranks with Mon-Valley Unemployed Committee in Homestead, Pennsylvania, and we worked with our elected officials to remove the welfare lien from propertyowners in the State of Pennsylvania.

My wife and I and our children were honored with the invitation to attend the bill signing in Governor Robert Casey's office, and we went there.

On one of many lobby trips to Harrisburg, we were approached by a film crew from Dallas, Texas, doing a documentary. We were interviewed in our home, and the film aired in several large cities across the Nation. Ross Perot mentioned seeing the show in one of his campaign speeches. This led me to write a letter to Mr. Perot. I acknowledged that he was an intelligent man because he is a millionaire. I asked him how the welfare people go about getting jobs when our mills are gone. I said, humorously, that I was an avid hunter and occasional fisherman. All the time I hunted, I did not see a job go by that I might shoot, nor while I fished I did not see one that I might snag.

Now, on the more sobering side, I ask you people to bring back our jobs so that we can work and support our children. Welfare reform? Yes, we need it. Change, we need—we were asked by our caseworkers if we needed fuel to heat our homes in the winter. I informed her that I planned on cutting firewood to burn. She told me that in this case she would have to cut my food stamp allotment because it did not give her a large enough base to work on.

I also asked my caseworker to be prompt on getting us out after our interview so I could put in a bid on a roofing job. She informed me to be careful—if I put a bid out, this would classify me as self-employed, and I would be ineligible for State aid.

Change? Yes, I would like to see my wife take my paycheck to the bank. Please help us become middle-class citizens again. Bring back our jobs so that our breadwinner can support his family while his spouse raises his children.

Thank you.

Mr. ENGLISH. Thank you, Mr. Myers. Thank you for coming down from northwestern Pennsylvania.

The Chair recognizes Edward Faine of Maryland.

#### **STATEMENT OF EDWARD ALLAN FAINE, TAKOMA PARK, MARYLAND**

Mr. FAINE. Thank you very much, Mr. Chairman. I would like to address the orphanage issue.

As one who spent 6 years, age 7 to 13, in the Cleveland Christian Home for Children, I feel the current debate over orphanages misses the point. For me, orphanage life was neither a Dickens' dungeon nor a Hollywood's "Boys Town." It was a life apart from the other kids who had parents and homes. Through it all, I knew I could never be like the other kids on the outside, and that is what hurt the most.

My mother reluctantly placed me in the home in 1945 because my father was no longer with us; because it was impossible for her to get a job when returning GIs reclaimed their old jobs; and because the welfare system, unlike today, was inadequate to support a family for an extended period of time.

To be sure, orphanage life in the forties was highly regimented and sometimes cruel. We ate, slept, played, and showered together. Boys were segregated from girls for the most part. We marched to school and church in side-by-side columns.

Punishment was dealt out regularly for the smallest infraction of the rules. A boisterous laugh often led to a paddle spanking that left my bottom stinging for days. Many a time I got clobbered across the face by the governess for not being fully dressed for the 8 o'clock march to the dining room. Lesser punishments, like the scrubbing and rescrubbing of floors were reserved for minor infractions like improperly laced boots.

As strange as it may seem, this part of orphanage life did not bother me. Perhaps I understood somehow that strict discipline was necessary in a situation where one governess managed 30 boys.

Orphanage life was impersonal. We claimed nothing for ourselves. We wore donated hand-me-downs, and if one of us received a gift, it became community property, with one exception: Each

year we were asked to make a list of what we wanted for Christmas. Charity groups such as the Masons and the Knights of Columbus would then donate gifts. At the top of each orphan's list, including mine, was a ring, the one gift that we could keep for ourselves.

Overall, we were treated the same, looked the same, and behaved the same. We were taught to fit in, to get along, and to sacrifice personal desires for the good of the group—in other words, we were depersonalized.

At school, I was known as “a kid from the home,” seldom called by my real name.

But orphanage life had its good side, too. We ate family style at oval tables for all our meals. Our supper table was laden with tureens overflowing with green beans and bacon, boiled cabbage, mashed potatoes, and meatloaf. And I will never forget the mornings when we were given bakery-donated shipping boxes full of week-old jelly doughnuts, and told to eat our fill.

We read books, played cards, ran around in our playground, and in warm weather splashed about in our swimming pool. Each year we went to the circus courtesy of the Shriners and to a major league baseball game courtesy of the Cleveland Indians. It was times like those that I felt like a privileged rich kid. But I would have rather been with my mother in the bleachers than with the kids from the home in the seats behind first base.

But the most fun of all was the 3-month stay at the orphanage summer boys camp in central Michigan. We slept in rustic cabins, swam, fished, hiked, and played every imaginable game, all with little or no adult supervision. Our regimented life carried over to summer camp where we became self-governed, with the oldest boys responsible for maintaining order. To this day, I feel immensely fortunate—blessed, even—for those blissful summers and the other never-to-be-forgotten times I had back at the orphanage in Cleveland.

And yet I would have traded it all to have remained with my mother. On Saturdays, during visiting hours, I cried and begged her to take me home. All I wanted was to be free like the other kids outside the orphanage. I did not dream of growing up to be a fireman, a truckdriver, or a ballplayer. I did not dream of excelling in school and going to college. I dreamt only of going home.

I felt different. I felt the outcast, not worthy and certainly not equal. Today, it might be said I suffered from self-doubt and low self-esteem.

Based on my experience, including the painful adjustment to life outside the orphanage, I would advise legislators wrestling with the welfare issue to look for alternative solutions. The orphanage is not a panacea to current-day societal problems. It is every bit as likely to continue the burden on society by disadvantaged children as under the current welfare system for the following reason:

In a modern-day orphanage, one could minimize regimentation, limit abusive punishment, and create a rich environment that encourages individual development, but you can never, ever do anything about the feeling of separateness, apartness—the feeling of not being like the other kids. In other words, the feeling of being an orphan.

A child who feels unequal will likely remain apart and not participate in the equal opportunity society and will, therefore, likely continue to be a burden on society. I can say only this: Once released from the orphanage and through the grace of God, I narrowly escaped life imprisonment for juvenile criminal offenses and became a productive member of society. Other orphans may not be so lucky. Many orphans, like myself, reenter society naive and gullible. Wanting to fit in and unable to think for ourselves after years of depersonalized living, we often fall prey to the worst elements in society and, once again, find ourselves institutionalized and dependent on society's largesse to survive. In this all-consuming debate, too little attention has been paid to what happens to orphans after they leave the orphanage.

Let us not adopt a policy of apartness for our disadvantaged families, strip children from their mothers and force them to live apart in orphanages. Adopt policies that channel fewer dollars to the disadvantaged if you must, but don't coerce apartness, don't break up the family.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

## STATEMENT OF EDWARD ALLAN FAINE

### THE ORPHANAGE: A LIFE APART

As one who spent six years, age seven to thirteen, in *The Cleveland Christian Home for Children*, I feel the current debate over orphanages misses the point. For me, orphanage life was neither a Dicken's dungeon nor a Hollywood "Boys Town." It was a life apart from the other kids who had parents and homes. Through all the rigors and occasional pleasures of orphanage life, I knew I could never be like the other kids on the outside. And that's what hurt the most.

My mother reluctantly placed me in the "Home" in 1945 because my father was no longer with us; because it was impossible for her to get a job when the returning GIs reclaimed their old jobs; and because the welfare system, unlike today, was inadequate to support a family for an extended period of time.

To be sure, orphanage life in the late 1940's was highly regimented and sometimes cruel. There was no privacy, no chance to find a quiet spot and simply daydream. We ate, slept, played and showered together. Boys were segregated from girls for the most part. We marched to school and church in formation, in side-by-side columns. People eyed us as if we were convicts or lepers. I felt like I had a big scarlet O on the front of my coat.

Punishment was dealt out regularly for the smallest infraction of the rules. A boisterous laugh during indoor playtime or a friendly tussle after a game of cards usually led to a paddle spanking that left my bottom stinging for days. Many a time I got clobbered across the face by the governess for not being fully dressed for the eight o'clock march to the dining room. The physical pain was easily withstood, not so the hurt inside, which lasted long after the tell-tale red marks disappeared from my cheeks. Lesser punishments, like the scrubbing and rescrubbing of floors, were reserved for minor infractions like improperly laced boots. As strange as it may seem, this part of orphanage life did not bother me. Perhaps I understood, somehow, that strict discipline was necessary in a situation where one governess managed thirty boys, ages six to twelve.

Orphanage life was impersonal. We owned or claimed nothing for ourselves. We shared everything. We wore donated hand-me-downs and, if one of us received a gift, it became community property, with one exception. Each year, we were asked to make a list of what we wanted for Christmas. Charity groups such as the Masons and the Knights of Columbus would then donate gifts. At the top of each orphan's list, including mine, was a ring -- the *one* gift that we could keep for ourselves.

Overall, we were treated the same, looked the same and behaved the same. Individual expression was discouraged for the sake of maintaining order. We were taught to fit in, to get along, and to sacrifice personal desires for the good of the group. In other words, we were depersonalized. At school I was known as a "kid from the home," often called "Home Kid," hardly ever by my real name.

But orphanage life had its good side, too. We ate family-style at oval tables for all our meals. For breakfast, we had hot cocoa and buckwheat pancakes dripping with syrup along with steaming bowls of cream-of-wheat. For lunch, we had peanut butter sandwiches and hambone bean soup. At supper, the table was laden with tureens overflowing with green beans and bacon, boiled cabbage, mashed potatoes and meat loaf. To this day, I still enjoy a simple meal of string beans and cabbage. Then, there were the special mornings when we were given bakery donated shipping boxes full of week-old jelly donuts and creme puffs and told to eat our fill. And I'll never forget the special suppers of fresh deer meat courtesy of the Highway Patrol who, as a matter of course, brought fresh roadkill to our kitchen.

We *always* had fun things to do. We read books, played cards and board games, ran around in our playground and, in warm weather, splashed about in our small swimming pool. Each year we went to the circus, courtesy of the Shriners, and to a major league baseball game courtesy of the Cleveland Indians. It was times like those that I felt like a privileged rich kid. But I would have rather been with my mother in the bleachers than with the kids from the home in the seats behind first base.

We frequently attended Father and Son banquets at local churches and lodges -- as orphans we were paired with bachelors for the evening. My bachelor dads always promised to come visit me, but they never did. We staged plays and musical reviews that townspeople came to see in droves. They were charged a fee, of course. Our theatrical productions raised needed funds for the orphanage.

But the most fun of all was the three-month stay at the orphanage summer boys camp in central Michigan on the shore of Big Lake Campbell. We slept in caboose-size rustic cabins, swam, fished, hiked and played every imaginable game from capture-the-flag to scavenger hunts, all with little or no adult supervision. Our governess disciplined, regimented life carried over to summer camp where we became self-governed, with the oldest boys responsible for maintaining order. To this day, I feel immensely fortunate -- blessed, even -- for those blissful summers and the other never-to-be-forgotten times I had back at the orphanage in Cleveland.

And yet, I would have traded it all to have remained with my mother. On Saturdays, during visiting hours, I cried and begged her to take me home. Later, she would tell me those were the worst days of her life. She wanted to take me home, of course, but she didn't have the money to do so. I was too young to understand what money had to do with it. All I wanted was to be free, normal and like the other kids outside the orphanage. I didn't dream of growing up to be a fireman, a truck driver or a ballplayer. I didn't dream of excelling in school and going to college. I dreamt only of going home.

I felt different. I felt the outcast, not worthy and certainly not equal. Today, it might be said I suffered from self-doubt and low self-esteem. At the time, I felt unequal -- a lonely forgotten child of a distant God.

Based on my experience, including the painful adjustment to life outside the orphanage, I would advise legislators wrestling with the welfare issue to look for alternative solutions. The orphanage is not a panacea to current day societal problems. It is every bit as likely to continue the burden on society by disadvantaged children as under the current welfare system, the so-called cycle of dependency, for the following reason.

In a modern-day orphanage, one could minimize regimentation, limit abusive punishment and create a rich environment that encourages individual development, but you can *never, ever* do anything about the feeling of separateness, apartness -- the feeling of not being like the other kids. In other words, the feeling of being an orphan -- the loneliest feeling in the world.

A child who feels unequal will likely remain apart and not participate in the equal opportunity society and will therefore likely continue to be a burden on society. I can only say this. Once released from the orphanage and through the grace of God or luck -- I know not what -- I narrowly escaped life imprisonment for juvenile criminal offenses and became a productive, fully tax-paying member of society. Other orphans may not be so lucky. Many orphans, like myself, reenter society naive and gullible. Wanting to fit in and unable to think for ourselves after years of depersonalized living, we often fall prey to the worst elements in society and, once again, find ourselves institutionalized and dependent on society's largesse to survive. In this all-consuming debate, too little attention has been paid to what happens to orphans after they leave the orphanage.

Let us not adopt a policy of apartness for our disadvantaged families; strip children from their mothers and force them to live apart in orphanages. Adopt policies that channel fewer dollars to the disadvantaged if we must, but don't coerce apartness, don't break up the family.

Mr. ENGLISH. Thank you very much.

We will recognize finally Jonathan Stein for his testimony.

**STATEMENT OF JONATHAN M. STEIN, GENERAL COUNSEL,  
COMMUNITY LEGAL SERVICES, INC., PHILADELPHIA,  
PENNSYLVANIA**

Mr. STEIN. Good afternoon, Chairman Shaw, Mr. English, Mr. Ford. My name is Jonathan Stein. I am general counsel at Community Legal Services in Philadelphia, where I have been a lawyer for 27 years representing poor and disabled adults and children. We are also the office that brought the *Zebley* case, which put the SSI Children's Disability Program, we believe, back on the right track after 20 years of denials of benefits to 600,000 children nationwide, denials which a very conservative Supreme Court, including Justices Scalia, Kennedy, and O'Connor concluded were in violation of the Social Security Act, mainly because it did not provide fair and realistic evaluations of disabled children, which disabled adults had received for many years before.

I was here last Friday, and I appreciated particularly the observations of Members of the Subcommittee, including yourself, Representative English, and other freshmen Members, that this is such a delicate area—we are talking about the very lives and health of 900,000 disabled children—that there is a need to be, I think, cautious and responsible and careful about going about making changes if changes, indeed, are needed in this program.

I am going to use my 2 minutes this afternoon to speak about the individualized functional assessment test, the test that some want to get rid of and which I think there is some real misunderstandings about.

This is a test that looks at the real life of the disabled child, not solely a medical test like an IQ test, to dictate what the evaluation and diagnosis and assessment should be. It did not flow out of the heads of a few lawyers or these conservative Justices on the Supreme Court. It came because the major medical organizations in this country—the American Medical Association, the American Academy of Pediatrics, the American Psychiatric Association, and others, as well as 31 States—believed and maintained to the Court that functional assessments of children was mainstream pediatric medicine. It is what doctors have been doing for years, looking at the whole child, all aspects of emotional and physical health. The Justices were shocked, that this SSI system for kids had been going along without using mainstream medicine that had been around for decades and denying very seriously disabled children, for example, with cerebral palsy and cystic fibrosis.

And so it is really the major medical groups of this country, in unanimity, who said that this was a test that should be used. It has not been an open door that has allowed normal and near normal kids to go in.

One fact that you might just recall is that since the new rules have been in effect, 900,000 children have been denied—almost 1 million children—have been denied under this functional assessment test. So it has not been an open door.

But what it has done, it has allowed children who were denied before to now get SSI; they were denied even though they had



Down's syndrome, mental retardation, cerebral palsy, cystic fibrosis, ailments that kill. These are children who were denied under the prior medical listings only test, and they are only getting SSI today because of this more holistic, realistic view of their conditions.

Just to make it real nitty-gritty, a cystic fibrosis child was tested under the listings only as a pulmonary disorder case. So for 20 years they looked at that child under the medical listings, and if the kid's lungs had been cleansed for 2 hours that day by a mother so the child could breathe decently, the child passed the pulmonary test and was denied SSI, even though a few years down the road that child might be dead.

Today, the cystic fibrosis child is evaluated not only on that pulmonary test, but also what is taken into account are the multiple hospitalizations, infections that come because of the mucous in the lungs, and the pulmonary cleansing that that child has to go through every day that makes that child's life anything but a normal kid's life.

In the written testimony you will receive, we give examples of the types of kids that were denied before this test and how this test is functioning today.

If that test were eliminated, in Pennsylvania 12,000 children would be terminated tomorrow. In Florida, 12,000 children would be terminated tomorrow. In Tennessee, 5,000 children would be terminated tomorrow. Nationwide, 225,000 children would be terminated if the functional assessment were ended as proposed.

We are not saying the test is perfect, and we would like to respond to Representative McCrery and others who have solicited from us this morning our views on changes that can be made. We think that in the area of behavioral disorders, which I think is really the heart of where some of these stories that have been circulating have come, a small minority of cases, we are very willing to look and think about a number of approaches that would make changes in evaluating kids.

Finally, we would also look to see how we can get some incentives in the program to improve a kid's health such as if a child does improve, continuing medical assistance for the treatment to help that kid continue to get better. Don't cut off Medicaid at that moment just when things are going well—maintain coverage so the improvement will be permanent.

So I think there are a number of scalpel-like, fine-tuning changes that are needed. We would be happy to work with the Committee to this end. I know the new Child Disability Commission has its first meeting tomorrow afternoon in Washington, and they are taking their work very seriously. But I think we need the careful approach that you, Representative English, and others have suggested, as opposed to a hatchet approach.

[The prepared statement and attachments follow:]

**TESTIMONY OF JONATHAN M. STEIN  
COMMUNITY LEGAL SERVICES, INC.**

Thank you Chairman Shaw, Representative Ford and Members of the Subcommittee for this opportunity to supplement testimony I submitted last week for the January 27, 1995 hearing. My name is Jonathan M. Stein and I am General Counsel at Community Legal Services, Inc. in Philadelphia. Our office brought the Zebley national class action case that put the children's SSI program back on the right track after almost 20 years of denials of SSI to 600,000 children-- denials a very conservative Supreme Court in 1990 found in violation of the Social Security Act because Social Security was not providing fair and realistic evaluations of childhood disability as they had been doing for adult disabilities.

1. Background

Since the Rhenquist Court's 7-2 decision, our office has been deeply immersed in the monitoring of the SSI childhood disability program. We maintain and staff a toll free "800" number to answer questions from parents and others who have questions about the childhood SSI program or their cases in particular. We also have participated in the national Children's SSI Campaign, along with the Bazelon Center for Mental Health Law, the San Francisco Youth Law Center and Rural Legal Services of Tennessee. The purpose of this privately funded campaign,<sup>1</sup> complementing congressionally and court mandated national outreach campaigns, was to publicize the change in the program and encourage eligible families to apply. We are proud that our joint efforts have played a part in increasing new childhood SSI applications resulting in about 850,000 children receiving SSI benefits. With 1 to 1.5 million children estimated eligible, the program is still not reaching many disabled children.

We would estimate that through our hotline and outreach activities we have been in contact with 10,000 children and families alleging disabilities. Many of these children were unjustly turned down for SSI benefits (and the accompanying Medicaid) and have had their cases readjudicated. Ironically the impairments that led to their death were deemed not sufficiently severe to justify an award of SSI!

My colleague and Zebley national class co-counsel, Richard Weishaupt, spoke at your October 14, 1993 Subcommittee hearing of the 1990-1993 successful implementation history. At that hearing, in particular, you heard that about 135,000 children were added to SSI solely on the basis of readjudications of old denials, 1980-1990. This was a one-time phenomenon, which explains over 25% of the growth of those on children's SSI. (Note that about 145,000 readjudicated claims were also denied from this prior period.)<sup>2</sup> Also, significantly, in light of your hearing notice then asking for testimony on unconfirmed reports of alleged abuse in the program, you did not hear of even one case of a healthy or normal child improperly receiving SSI.

2. The Vital Importance of the Individualized  
Functional Assessment Test

There unfortunately are misunderstandings afoot about the new Individualized Functional Assessment (IFA) test that now supplements the limited Childhood Listings of Impairments. (The IFA appears at 20 C.F.R. §416.924a, and the Listings at Appendix II, Part B of 20 C.F.R.). These misunderstandings are calling for the elimination of the IFA test with the result of eliminating all

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<sup>1</sup> The Campaign has been funded by the Robert Wood Johnson Foundation, The Nathan Cummings Foundation, The Annie E. Casey Foundation and the Pew Charitable Trusts.

<sup>2</sup> Source: SSA Zebley Court Quarterly Summary Report, December 8, 1993.

SSI life-supports to 25% or about 200,000 disabled children on SSI.<sup>3</sup>

The IFA rather than having its origin amidst conservative Justices of the Rhenquist Court in the 1990 Sullivan v. Zebley decision really has its origin in mainstream pediatric practice in existence for years. It is a workable regulatory tool that has fairly and realistically assessed childhood disability. That it is not an open door to all is best shown by the SSA statistics that close to 200,000 child SSI claimants have been denied SSI since the new IFA rules have been in place.

The IFA test has allowed children with the most serious of disabilities - who we can all agree should be receiving SSI - to get SSI. They are suffering from mental illness and retardation (the most prevalent disabilities), cystic fibrosis, sickle cell anemia, AIDS, and cerebral palsy. Many of these children were so disabled that it is difficult to imagine how they could have been denied under any rational system. Here are just two examples:

A.W. is a teenager and resident of Dyersburg, Tennessee. Adam was sixteen months old when he spiked a 106 degree fever and had to be transported to Lebonheur Hospital in Memphis by helicopter. His parents applied for SSI in February 1980, but were denied. A.W. took seizure medication until age five. He experienced frequent periods of inattention in school, and IQ testing revealed serious problems with cognitive functioning, which a psychologist attributed to post-ictal dementia. In September 1993 A.W. was finally granted SSI.

A.F. is a twenty-five year old resident of Philadelphia who has suffered from cerebral palsy since birth. An SSI application was filed for him in September 1979 by his parents (now deceased), but was denied. Following his father's death, he reapplied for SSI and Social Security disabled child's insurance benefits in 1988. Although he was denied by the Pennsylvania state agency initially and on reconsideration, A.F. persisted with an appeal to an Administrative Law Judge who issued a favorable decision in August 1989, finding that he had major motor dysfunction involving both legs as well as mental retardation. A.F. requested Zebley review of his 1979 denial, and he was denied again. Only after A.F. requested reconsideration did he receive a favorable decision which will result in his receiving retroactive benefits for the period 1979-88.

To understand the IFA test one must first understand what the medical Listings-only test was before 1990. As the Rhenquist Court set forth, the Listings policies of SSA:

The Secretary explicitly has set the medical criteria defining the listed impairments at a higher level of severity than the statutory standard.... The reason for this difference between the listings' level of severity and the statutory standard is that, for adults, the listings were designed to

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<sup>3</sup> Elimination of the IFA test would terminate aid to the following disabled children in these states based on June 1994 enrollment figures:

Cal.	15,500	MI.	8,500
Conn.	1,100	Nev.	500
FL.	12,000	N.Y.	18,000
GA.	6,000	PA.	12,000
Iowa.	1,600	PA.	12,000
LA.	9,500	TN.	5,000
		Wash.	2,400

operate as a presumption of disability that makes further inquiry unnecessary.

When the Secretary developed the child-disability listings, he set their medical criteria at the same level of severity as that of the adult listings. . . .

Thus, the listing in several ways are more restrictive than the statutory standard. First, the listings obviously do not cover all illnesses and abnormalities that actually can be disabling. . . . When the Secretary published the child-disability listings for comment in 1977, he described them as including only the "more common impairments" affecting children. . . .

Second, even those medical conditions that are covered in the listings are defined by criteria setting a higher level of severity than the statutory standard, so they exclude claimants who have listed impairments in a form severe enough to preclude substantial gainful activity, but not quite severe enough to meet the listings level--that which would preclude any gainful activity. Third, the listings also exclude any claimant whose impairment would not prevent any and all persons from doing any kind of work, but which actually precludes the particular claimant from working, given its actual effects on him--such as pain, consequences of medication, and other symptoms that vary greatly with the individual--and given the claimant's age, education, and work experience. Fourth, the equivalence analysis excludes claimants who have unlisted impairments, or combinations of impairments, that do not fulfill all the criteria for any one listed impairment. Thus there are several obvious categories of claimants who would not qualify under the listings, but who nonetheless would meet the statutory standard.

Zebley, 110 S.Ct. 885, 892-93 (1990).

The Supreme Court went on to explain that:

For adults, these shortcomings of the listings are remedied at the final, vocational steps of the Secretary's test. A claimant who does not qualify for benefits under the listings, for any of the reasons described above, still has the opportunity to show that his impairment in fact prevents him from working. . . .

For children, however, there is no similar opportunity. Children whose impairments are not quite severe enough to rise to the presumptively disabling level set by the listings; children with impairments that might not disable any and all children, but which actually disable them, due to symptomatic effects such as pain, nausea, side effects of medication, etc., or due to their particular age, educational background, and circumstances; and children with unlisted impairments or combinations of impairments

that are not equivalent to any one listing--all these categories of child claimants are simply denied benefits, even if their impairments are of "comparable severity" to ones that would actually (though not presumptively) render an adult disabled.

Zebley, 110 S.Ct. at 894.

In a note the Court pointed out that:

Empirical evidence suggests that the rigidity of the Secretary's listings-only approach has a severe impact on child claimants. There are many rare childhood diseases that cannot meaningfully be compared with any of the listings. AMA Brief 6, 25 (it is unlikely "that any physician could make meaningful comparisons between extremely rare diseases and the set medical criteria listed by the Secretary"). Moreover, the listings-only approach disregards factors such as pain, side effects of medication, feeding problems, dependence on medical equipment, confinement at home, and frequent hospitalization, that vary with each individual case. A recent study prepared for the Department of Health and Human Services suggests that children with multiple impairments, young children who cannot be subjected to the clinical tests required by the listings criteria, and children whose impairments have a severe functional impact but which do not match listings criteria are often denied benefits. H. Fox & A. Greaney, *Disabled Children's Access to Supplemental Security Income and Medicaid Benefits* (1988).

A telling example of the effect of the listings-only approach is found in Wilkinson ex rel. Wilkinson v. Bowen, 847 F. 2d 660 (CA11 1987) (child with rare liver disorder causing severe swelling, food allergies, and fever, and requiring constant care and confinement at home, does not qualify for benefits because his impairment does not meet or equal the criteria for any listing); see also Zebley ex rel. Zebley v. Bowen, 855 F. 2d 67 (CA3 1988) (plaintiff Zebley denied benefits, despite evidence of congenital brain damage, mental retardation, development delay, eye problems, and musculoskeletal impairment, because his condition did not meet or equal any listing).

The disparity in the Secretary's treatment of child and adult claimants is thrown into sharp relief in cases where an unsuccessful child claimant, upon reaching age 18, is awarded benefits on the basis of the same impairment deemed insufficient to qualify him for child disability benefits . . . .

Zebley, 110 S.Ct. at 894, n.17.

This Committee should be informed of the children denied in the past without an IFA test. Below are representative examples of children with Down syndrome, severe hydrocephalus, mental retardation, uncontrolled diabetes, Hirschsprung's Disease, anorectal atresia, severe asthma, cystic fibrosis, attention

deficit hyperactivity disorder, spina bifida myelomeningocele, all denied under the medical Listings. They appeared in the September, 1989 Amicus Brief in the Supreme Court of the Children's Defense Fund, Cystic Fibrosis Foundation, Spina Bifida Association, Tourette Syndrome Association and other groups:

**PERLA ACOSTA** is two years old and lives in California. She has Down syndrome and is severely developmentally delayed. She functions in the nine to ten month level in speech and communication skills and at the fifteen to eighteen month level in other areas. Her school reports that, because of her severe delay in the area of communication, Perla can be expected to demonstrate a verbal IQ of 59 or below when she is old enough to test.

Perla has been denied SSI on the basis that she has to demonstrated a 50% delay in all areas of development as required by 20 C.F.R. Part 404, Subpart P. Appendix 1 ("Listings") §112.05A. (Determination dated January 26, 1989). Her request for reconsideration is pending.

**KENYADA ALES** is almost two years old and lives in Mississippi. She was born with severe hydrocephalus which occurs when cerebrospinal fluid can't exit the brain. In Kenya's case, a shunt was implanted to enable the excess fluid to drain from her head into her abdomen. In her first 15 months of life, Kenya suffered three shunt failures which required hospitalization and surgical intervention. Kenya shows signs of brain damage including developmental delays, hemiplegia, and vision problems, as well as symptoms associated with shunt problems including headaches, non-responsiveness, and abdominal tenderness.

Kenyada has been denied SSI benefits. An Administrative Law judge determined that her impairments do not meet or equal the childhood listings (Decision dated May 11, 1989). Her case is pending before the Appeals Council.

**DAWN BOUCHER** is nineteen years old and lives in Vermont. She reached majority during the time that her claim was on appeal. Therefore she is claiming child benefits for the period before she reached her eighteenth birthday and adult benefits for the period thereafter. Ms. Boucher suffers from borderline retardation but her adaptive functioning is consistent with the mild range of mental retardation. She also has learning impairments, a speech impairment, a mixed personality disorder with dependent and avoidant features, and an anxiety disorder. In addition, she suffers from depression, allergic rhinitis, headaches, and fainting spells.

The federal district court has denied Ms. Boucher's claim for child benefits but has remanded her claim for adult benefits to determine whether she can perform work that exists in the national economy. Boucher v. Bowen, No. 87-183 (D. Vermont Order dated July 20, 1988.) The court denied the claim for child benefits on the basis that her impairments do not meet or equal the Listing of Impairments. Under current regulations, Listings, §112.05C, her adaptive functioning level and her other impairments cannot be considered because her IQ score is above 69. Boucher v. Bowen, supra, Magistrate's Report and Recommendation (June 9, 1988).

**CHERYL CAUDILL** is fourteen years old and lives in Kentucky. She was diagnosed as diabetic in February, 1988. Over the following year she was hospitalized several times with uncontrolled diabetes. Her hospital stays ranged from a few days to a week or more. Even when she was in the hospital, the insulin therapy was inadequate to control the diabetes. She also experienced seizure-like symptoms and emotional problem. Cheryl has been denied SSI benefits and now has an appeal pending in federal court. Caudill v. Sullivan No. 89-180 (E.D. Ky. filed July 14, 1989).

**SARA CHASE** is four years old and lives in Vermont. She was

born with Hirschsprung's Disease, a congenital abnormality of the large bowel. By the age of three and one half months, Sara had been through two major surgeries. Since that time, she has had worsening problems of enterocolitis, granuloma, severe cramping, malabsorption syndrome, and dysmotility disorder. She also experiences problems of fecal incontinence, abdominal distention, intermittent diarrhea, intermittent rectal bleeding, fissures, eating difficulties, appetite loss, and weight loss. In 1988 alone, Sara was hospitalized five times. In March of 1988, she was started on an enteral feed system by means of a naso-gastric feed tube. The feed tube must be in place 24 hours a day and is hooked up to an infusion pump at least three times.

Sara has been denied SSI twice on initial application. She is now pursuing her case through the administrative process.

**JENNIFER COX** is six years old and lives in Iowa. Jennifer suffers from anorectal atresia, a congenital anomaly of the bowel, which required her to have a colostomy. Additional surgery resulted in relocation of the anus and closure of the colostomy. However, she has continuing difficulty with constipation and bowel dysfunction, and further surgery has been recommended. She currently requires daily enemas, suppositories, and adherence to a strict diet to enable her to have bowel movements. In addition, Jennifer suffers from chronic urinary tract infections and is unable to sense when her bladder is full. As a result of these problems, Jennifer is not yet toilet trained. She also suffers from Duane's syndrome, an eye muscle deficiency, which prevents her from moving her eyes to look to either side. As a result, she lacks peripheral vision. Her mother reports that she must constantly lean sideways to see and that she runs into walls because she cannot see them.

Jennifer has been denied SSI benefits. An Administrative Law Judge determined that her impairments did not meet or equal the listings. He said that her case must be judged solely on the objective medical evidence and not on other factors, which are applicable only to adult determinations. (Decision dated December 28, 1988.)

**BLAKE DEWITT** is 13 years old and lives in Texas. Blake suffers from asthma, obesity, and childhood migraine. In 1981, after he began taking Prednisone, a cortisone-like anti-inflammatory medication, he began to gain weight very quickly. In 1986, his physician concluded that he was unable to engage in any strenuous activity because of congenital tracheal malacia and acute asthmatic bronchitis with chronic lung disease. Blake's blood pressure has risen as high as 190/110, and he has suffered severe headaches, vertigo, hypertensive encephalopathy, and nose bleeds. Blake has continued to gain weight, and at the time of his hearing before an Administrative Law Judge, at age eleven, he weighed 241 pounds.

Blake was found to be disabled from June 13, 1978 through December, 1982 but has been denied SSI benefits on reapplication for benefits filed January 1, 1984. His appeal is pending in the Court of Appeals for the Fifth Circuit, Dewitt v. Sullivan, Case No. 89-5559.

**RICHARD DOONE** is seven years old and lives in Pennsylvania. Richard suffers from asthma, which was diagnosed in 1984. By the time his case was submitted to the Appeals Council in 1988, Richard had been hospitalized six times and had received emergency room treatment twenty times. He has been using a breathing machine for several years, and at the time of his hearing, he was using it four times a day for one half hour each time. He is taking Slobid,

Alupent, and Predatson, and has required parenteral<sup>4</sup> medication during his asthma attacks. Richard missed 67 days of his eight month preschool program during the 1986-87 school year, and 21 out of 103 class days in kindergarten the next year.

Richard has been denied SSI. A vocational expert concluded that Richard is disabled because of the frequency of his asthma attacks and because he required home nebulizer treatments to maintain adequate ventilation. However, the Administrative Law Judge determined that Richard did not meet the Listing of Impairments because the rate of hospitalization had decreased recently and because his medical condition between hospitalizations was not sufficiently severe. (Decision dated March 23, 1988). Richard's case is now before the Appeals Council.

**YOLANDA DOWDY** is thirteen years old and lives in Pennsylvania. Yolanda is in an EMR (Educable Mentally Retarded) class at school. Although her full scale IQ is in the upper range for EMR students, her academic achievement is in the lower range. Her language development and communication skills are extremely deficient. She wets and soils herself during the day at school. At home she is unable to do age appropriate tasks such as doing the dishes and taking out the garbage. She has also exhibited antisocial behavior.

Yolanda has been denied SSI benefits. She is awaiting the outcome of her June 15, 1989 hearing on remand from the Appeals Council.

**AMY GIFFORD** is eight years old and lives in Vermont. She has a full scale IQ of 71, and she demonstrates significant delays in visual-motor abilities, visual-perceptual abilities, language skills and articulation. Unlike children with mild retardation who do not have other problems, Amy needs to be helped with self-care skills, particularly bathing, toileting, and dressing herself. She is unable to match clothing and to consistently brush her hair. Her ability to retain information is limited. She does not understand money and is not able to tell that there are five pennies in a nickel. She is unable to add simple numbers without counting on her fingers.

Amy also has a speech impairment, which, in combination with her memory difficulties make conversation difficult. She has developed some behavior problems, possibly as a result of frustration in communication. School records indicate that she also suffers from hyperactivity and inattention. She finds it difficult to stay on task, wanders around the room, and becomes easily frustrated with lengthy problems.

Amy has been denied SSI benefits. The initial denial acknowledged that she had learning problems but concluded that her impairments were not severe enough to meet the special medical requirements for child's disability benefits. (Determination dated September 19, 1988). Her case is now pending before an Administrative Law Judge.

**LAWRENCE GREATHEART** is almost eleven years old and lives in New York. Lawrence suffers from a severe form of asthma with numerous allergies. He requires specialized treatments in the form of inhalation therapy, asthma medications taken by mouth and by injection, a special diet, and chest physiotherapy, including chest percussion and postural drainage. He also requires humidification and air conditioning. Lawrence was hospitalized repeatedly until his mother was able to obtain a nebulizer a few years ago. He is subject to frequent headaches and gastro-intestinal disturbances related to side effects of the medication he receives.

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<sup>4</sup> "Parenteral" refers to medication administered by injection.



Lawrence is unable to tolerate the public transportation system because he reacts to dust, mildew, and dirt with bronchial spasms. He can't tolerate being out in cold or damp weather for extended periods or when the pollen count is high or the air quality is poor without severe respiratory compromise. He has also been diagnosed as emotionally unstable and is undergoing weekly therapy at a mental health clinic. His school attendance is irregular, with excessive absences. He missed 53 days during the last school year. He has a decreased activity tolerance and cannot participate in most typical activities with his peers without allowing for frequent rest periods.

Lawrence and his family are living in a substandard apartment due to lack of funds. They have frequent problems with water leaks and flooding which leads to the growth of mold and mildew. Spores from the mold and mildew have triggered asthmatic reactions in Lawrence.

Lawrence has been denied SSI on initial application and reconsideration because his condition, though severe, is not disabling according to the Listings standards for minor children.

**VALERIE HARTWELL** just turned 18 and lives in Vermont. She is claiming children's benefits for the period from September, 1985, when she filed her most recent claim, through her eighteenth birthday on June 25, 1989. Valerie was diagnosed as suffering from cystic fibrosis when she was five months old. She is treated with pancrease, a pancreatic supplement, to aid digestion; with a special diet; and with chest therapy twice a day to expel the mucus that builds up in her lungs. She has had to be hospitalized frequently when her condition deteriorates, primarily due to serious respiratory complications that require parenteral antibiotic treatment. Her hospital stays last from a few days to a week or more. After discharge, she undergoes intravenous therapy at home for another week.

Ms. Hartwell has a chronic cough which causes frequent gagging and vomiting. She is particularly susceptible to colds and bronchial infections and often has to take antibiotics to avoid more serious illnesses. At age eight, she was diagnosed as suffering from asthma and allergies. As a result, she must use an inhaler four to six times a day and must take Prednisone every other day. The asthma has exacerbated the pulmonary problems caused by the cystic fibrosis, and Ms. Hartwell suffers weekly asthma attacks which often occur at night causing her to lose sleep.

Ms. Hartwell is allergic to many substances including cigarette smoke, dust, mowed grass, strawberries, carrots, and bees. She continues to be treated for pancreatic insufficiency and to suffer gastro-intestinal distress which causes weekly diarrhea, constant gas and bloating, and frequent stomach pains. In addition, scoliosis was diagnosed in 1984. This condition causes back pain and prevents her from lifting heavy objects. She is being treated for the scoliosis with prescribed exercises and with clinical treatments; however, she finds that she cannot do the prescribed exercises consistently due to her asthma and cystic fibrosis. In 1985, diabetes was diagnosed. At the time of her hearing before the Administrative Law Judge, Ms. Hartwell was taking over 40 prescribed medications daily. Although Ms. Hartwell was granted SSI benefits at an early age, the Secretary terminated her benefits when her condition improved. She was denied benefits twice in 1983 and again in 1985. She appealed the last denial through the administrative process and the federal court. Her claim has now been remanded for further administrative proceedings. Hartwell v. Sullivan, No. 88-74 (D. Vt. Remanded May 4, 1989).

**TERRY BOUCK**, is fifteen years old and lives in Wisconsin. He suffers from mental retardation, attention deficit disorder, and minimal brain dysfunction. He is taking Ritalin for hyperactivity.

In addition, Terry is very aggressive, has difficulty relating to his peer group, and spends much time alone and withdrawn. He attends classes for children with learning disabilities, but finds school to be a struggle. Recently, doctors have determined that Terry suffers from scoliosis, that his right leg is slightly longer than the left, and that he has pelvic tilt.

Terry has been denied SSI benefits and has exhausted all levels of administrative review. He is the plaintiff in a federal district court action which has been stayed pending this outcome of this case. Houck v. Sullivan, No. 88-C-1225 (E.D. Wisc. Stay entered May 24, 1989).

**SHAWN KELLER** is eleven years old and lives in Pennsylvania. Shawn suffers from attention deficit disorder, with hyperactivity, mental retardation, learning problems, and a slight speech impediment. His intellectual development has been measured within the borderline range, with a Verbal Score of 70, a Performance Score of 77, and a Full Scale Score of 72. Shawn has demonstrated a delay in visual-motor coordination and low psycholinguistic abilities. He attends EMR special education classes, and despite compliance with a medication regimen, Shawn has periods of increased hyperactivity when his classroom behavior is unacceptable. He has a short attention span, has difficulty in following directions, and requires one-on-one attention to keep on task.

Shawn has been denied SSI benefits. The Administrative Law Judge found that Shawn did not meet the listings because his lowest IQ score (70) was above the level required by the listings (669). Listings, §112.05C. He also found that the attention deficit disorder did not meet the level of severity required by the listings. (Decision dated November 29, 1988.) Shawn's case is pending before the Appeals Council.

**MONISHA SMITH** is ten months old and lives in California. She has spina bifida myelomeningocele. She was born with a sac which contained her spinal cord and its enveloping membranes protruding from her spine. This sac was repaired and covered immediately after her birth. A shunt was implanted to drain cerebrospinal fluid from the brain down into the abdominal cavity. She has experienced one shunt failure which required surgery. The spina bifida has resulted in some paralysis which affects her legs so that she is not yet able to crawl. The paralysis has also affected her bowel and bladder, and as a result, Monisha requires digital stool removal and catheterization every two hours.

Monisha is developmentally delayed in all areas. She receives occupational therapy in her home twice a week, and in the interim, her mother implements an infant stimulation program. In addition, her complex of problems requires visits to doctors at least once a week. Monica's mother, a single parent, has not been able to return to work because of the care that Monica requires.

Monisha has been denied SSI. She does not meet the listings for congenital abnormalities, because spina bifida is compatible with life outside the womb and because she can be expected to function above the two year old level. Listings, §110.08. She does not meet the neurological listings, because her paralysis has not yet interfered with age appropriate activities. Listings, §111.08A. She does not meet the listing for mental disorders because she cannot demonstrate a delay of 50% or more in all areas of development. Listings, §112.05A.

**JEANNETTE TOOMEY** is five years old and lives in Pennsylvania. Jeannette suffers from severe hyperactivity, a mild expressive speech delay, and delayed fine motor skills. Although she receives an unusually high dose of Ritalin, she manifests unmanageable, disruptive, impulsive, and hyperactive behavior. In fact, the Administrative Law Judge commented on her uncontrolled behavior on

the day of her hearing when she left her chair, climbed under the examining table, moved constantly about the room, and set off a fire alarm. Nevertheless, Jeannete has been denied SSI benefits. The Administrative Law Judge found clear evidence that she suffers from psychological impairments and behavior problems, but he concluded that these impairments did not satisfy the criteria of the listings. (Decision dated February 15, 1989.)

**KENDRA WHALON** is two years old and live in Texas. She suffers from Klippel-Trenaunay-Weber syndrome, a rare condition that produces a crippling growth disturbance on her left side. Her left arm is now twice the size of her right arm and colored with a birthmark-like stain. When she was 13 months old, her treating physician concluded that the condition will worsen with time, causing functional motor impairment, reduction in mobility and possible respiratory difficulties. At that point, the impairment had caused spinal curvature and loss of lung volume. In 1988, a consulting neurologist noted that Kendra was not able to use her arm at all before she started to receive physical therapy. He concluded that Kendra's overall prognosis is not good because the arm will keep growing enormously in size. He also indicated that surgery may be necessary in the future.

Kendra has been denied SSI benefits, and her case is now pending at the Appeals Council. In denying her initial claim, the evaluator noted that Kendra may need special care and continued doctor's treatment but concluded that she was still too young to evaluate developmentally. (Determination dated December 14, 1987.) The Administrative Law Judge also found no doubt that Kendra will need regular medical care but concluded that because of the lack of findings at the listings level, he could not make a finding that she was disabled. (Decision dated November 29, 1988).

In Zebley it was the American Medical Association (AMA) and American Academy of Pediatrics (AAP) that explained how a functional assessment of these children could provide SSA with a fairer, realistic evaluation that was in accord with mainstream medicine. There two leading medical groups stated:

The pediatric literature is replete with examples of the importance to pediatric medicine of functional assessments. In the area of pediatric research, assessments of children's cognitive, emotional, social and physical condition are routinely analyzed through research into children's play. . . . In addition, pediatricians routinely include among the goals of treatment of any childhood disease, as well as management of its symptoms, "help[ing] the child perform ordinary daily age-appropriate activities."

The view that proper study or treatment of pediatric illness and injury must include an assessment of the child's functional capacity to perform age-appropriate activities is well accepted in the medical community. This view takes on special importance when the physician is called upon to assess a child's condition according to the severity of his or her medical condition. The biological severity of an illness is an abstraction, measured only by proxies, the most familiar of which are physiological severity, functional severity and burden of illness. . . . Physiological severity may be greatly altered by therapy and social circumstances. For instance, emotional stress can exacerbate the physiological

severity of several fairly common childhood diseases, including asthma, inflammatory bowel disease, juvenile rheumatoid arthritis and diabetes. Partly for this reason, disease-specific measures of physiological severity are often questionable, and there is general agreement that such measures are of little use in children with, inter alia, rare conditions or multiple disorders. Consequently, there is no way meaningfully to separate a clinician's functional assessment from medical diagnosis and treatment of many childhood disabilities and any attempt to do so distorts proper medical practice.

AMA and ACP Amicus Brief, pp. 4-6.

The medical groups explained why good pediatric practice requires individualized assessments and not listings, cookie-cutter like judgments:

Pediatricians widely agree, for several reasons, that effective diagnosis and treatment of childhood disability, or of potential disability in the case of the child "at risk," requires the exercise of individualized medical judgment....Because there are so many rare diseases of childhood, it is unlikely that any individual physician, who will see only a few, if any, such cases in a lifetime of practice, will become expert in the diagnosis or treatment of many rare childhood diseases. The nature of childhood disease thus emphasizes the need for a careful and comprehensive assessment of each individual child.

Second, an individualized assessment of disability is important because individual variables have a significant impact on the child's overall condition and development. An individualized assessment is essential in order to make adequate diagnoses and treatment plans. Finally, as discussed above, pediatric medicine serves a developmental as well as a treatment-of-illness purpose. Adequate assessment of a child's condition at any given time necessarily includes a broad view of his or her functional abilities across a range of developmental dimensions. To draw together the disparate evidence needed to make a competent and comprehensive diagnosis and treatment plan, the physician must give careful attention to each child's individual circumstances and functional abilities.

The AMA and AAP Concluded:

There is no basis in sound medical practice for the Secretary's suggestion that childhood disability can properly be determined based solely on "medical" factors that do not include functional considerations beyond those the Secretary has chosen to incorporate in a given Part B listing....Because of the central role that development plays in the medical evaluation and treatment of children, comprehensive functional assessments are an integral part of a physician's evaluation of every child. In fact, it is not only feasible

to include functional considerations in making a medical assessment of a child's disability; it is absolutely essential.

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The medical profession does not treat patients as items in categories based strictly on diagnostic tests and symptoms and neither should the Secretary in deciding whether any medically determinable impairment is comparable to another. Instead, medicine considers functional ability in deciding what treatment to pursue and so should the Secretary of HHS in deciding whether benefits should be awarded ....

AMA and AAP Amicus Brief, pp. 21-22, 29.

In addition, the nation's leading organizations of mental health professionals similarly concluded that the functional assessment was critical for children. Thus the Amicus Brief of the American Psychiatric Association, American Academy of Child and Adolescent Psychiatry, Association for Retarded Citizens of the United States and others, stated:

In determining the extent of a child's disability, there is no substitute for individualized functional assessment. Just as for adults, in assessing the overall impact of a development or behavioral impairment, mental health and mental retardation professionals attempt to assess the overall impact of the child's developmental, medical and behavioral problems on his day-to-day functioning in a variety of settings. The goal is not merely to provide a medical label for the child's problems, but to discover his needs and limitations. The critical assessment is to determine how his impairments limit his ability to function and ascertain the assistance necessary to meet the needs thus created. This is because a given diagnosis or medical evaluation, by itself, cannot necessarily specify any particular level of disability or course of treatment.

Amicus Brief at p. 21.

The IFA test in place today was established after a year's study and input from the public and a blue ribbon panel of leading professionals in the nation. It looks at developmental progress for young children and impacts on domains of functioning (e.g. cognitive, motor, communication, etc.) for older children, and for older adolescents, a test that approximates an ability to work test for young adults. See 20 C.F.R. §416.924a.

Whereas in the past a cystic fibrosis child would be typically denied under the Pulmonary Listings, because hours of pulmonary cleansing by a parent that day of testing meant that a child "passed" the breathing test given for pulmonary disorders, now the IFA test requires SSA to make a realistic evaluation taking into account what might also co-exist as frequent lung infections and hospitalizations; hours of daily pulmonary cleansing adversely impacting on the child's normal life; and other factors showing a child with a very serious, life-threatening chronic illness that should qualify for SSI.

The attached decision from Hawaii applying the IFA test to a young hemophiliac child, Justin, illustrates how without "joint

deformity" the child does not "meet" the Listings for coagulation disorders. He is disabled because of a combination of the severity of the medical condition (chronic problems related to hemophilia) and significant functional limitations, including repeated swelling of the joints making it difficult to walk and play with others, and precluding his developing normal social interactions and peer relationships. The IFA test allows SSA to look not only at Justin's physical, medical problem, but also the psychiatric damage resulting from a child's struggle with debilitating hemophilia. See decision attached as Appendix A.

The IFA test may not be perfect, and certainly its fine-tuning can be the subject of the Childhood Disability Commission's deliberations. But we cannot go back to the pre-Zebley days with no IFA test present.

### 3. Avoiding SSI Child Disability Myths

**MYTH #1:** Families with disabled children don't need supplementary income; they only need medical care and health related service.

SSI has a stringent financial means test (e.g. with a \$2,000 maximum asset or resource limitation) so that only low income families can qualify. Parents seeking SSI generally have very real financial needs, many not strictly medical, with representative examples listed below. Studies have shown that the presence of a disabled child in the house often leads to a wage earning parent having to give up employment to stay at home caring for the child, substantially reducing income for the entire family, including the disabled child. The average \$412 a month grant, although of significant benefit to the needy child, rarely lifts the family out of poverty. The grant is essential to provide an adequate level of necessities of life, i.e. food, clothing and shelter, as well as the child's extraordinary daily expenses or disability related expenses.

Those who would abolish the SSI grant have little idea of how vitally important SSI cash grants are to hundreds of thousands of families. For them, SSI covers the cost of:

- . Over-the-counter nutritional supplements for a teenager with a degenerative neuromuscular disorder that makes it difficult for him to eat enough to maintain a healthy weight.
- . The day care given for a very young grandchild whose medical condition requires 24 hour a day supervision, but both of whose parents must work to support the family.
- . A membership in the YMCA for child with a disability so that he can have some fun and a positive social experience.
- . A special computer for a ten year old girl with cerebral palsy who cannot speak, enabling her to communicate not only her basic needs, but also her thoughts and ideas with her friends and family.
- . Three-digit monthly electric bills for a family whose child can breathe only with the help of a respirator 24 hours a day. The family also used its SSI check to pay for a back-up generator that must be ready to kick-in if the electricity fails.
- . Water bills for above average bathing and laundry usage.
- . Weekly supplies of adult diapers so that a child who is

incontinent can attend school.

A behavioral aide to enable a child with serious emotional challenges to take part in an after school recreation program with her friends, an option she could not access without assistance.

Fees for specially trained child care providers (respite care) so that the parents can see a movie and leave their child with mental retardation at home in competent hands.

Monthly payments for a used van with a wheelchair lift so that a rural mother can drive her child three times a week to physical therapy sessions at a clinic 45 miles away.

Tutoring services to assist a child with a disability who is having difficulties in school.

Additional family support services such as counseling for a family stressed by a child with serious emotional or physical challenges.

Telephone calls to medical providers, pharmacists, social service providers and schools.

Public or private transportation costs for numerous trips (often long distances in rural areas) to obtain medical treatment and services.

Adapted clothing (e.g. replace buttons with velcro fasteners, specially fitted shoes, modify openings or specially designed clothing for persons with limited movement).

Clothing, laundry and household cleaning supplies (e.g. children who require frequent clothing changes or whose disability requires more frequent household cleaning).

Specially equipped vehicles to transport children who use wheelchairs.

Home repairs (e.g. special safety equipment such as protective coverings for kitchen appliances, extraordinary wear-and-tear from wheelchairs).

Home modifications/adaptations including environmental control equipment (e.g. widen doorways, change doorknobs to levers, add ramps, modify controls and switches, install bathroom railings and special bathing and toileting equipment).

Personal assistance services (including wages and taxes).

Services and repairs for assistive technology (e.g. wheelchairs, prosthetics, hearing aids).

Adapted toys and learning materials (e.g. special tricycle for a child with a physical disability).

Assistive technology for school homework (e.g. computers with voice output, touch screen or modified keyboard).

Special telecommunication services/devices (e.g. TTY).

Co-payments and deductibles for routine medical visits, specialty consultations, medication, biological products, physical/speech/occupational therapy, orthotic devices and wheelchairs customized for children not covered by

Medicaid, private insurance or school districts.

Over-the-counter items not customarily paid for by public or private insurance such as creams for skin conditions, diapers for older children, wigs, special formulas/items for managed diets.

The list could go on. Every family makes a different decision based on what they need in order to keep their child at home. The abolition of cash grants, or alternatives proposed like block granted services or vouchers would mean that the variety of essential non-medical needs of these children would go addressed.

**MYTH #2:** Children with minor behavioral and other problems can now get SSI disability. It is too easy to qualify for SSI children's disability benefits.

Children with minor problems cannot qualify for SSI. Indeed, the new rules have added an evaluation step to screen out children with non-severe impairments, with only "minimal" or "slight" impacts on functioning, very early in the assessment process. The new rules only permit children to qualify who have severe mental or physical impairments having "substantial" adverse impacts on age appropriate activities. See 20 C.F.R. Section 416.924a.

Since the new rules took effect in Feb. 1991, half the children claiming SSI have been denied, with denials nationally totalling over 800,000 to date. Since that time allowance rates have sharply fallen, so that today 2 of every 3 children applying for SSI are denied. The system does work to keep out children with minor problems.

SSA's three sets of Quality Assurance reviews (at the state, Regional and Headquarters levels) of allowances to children have shown a very low error rate, one comparable or lower than that of adult decisional error rates.

Finally, there is a discernable bias among a number of people who think that children with various serious behavioral disorders are simply "bad" kids with nothing medically wrong with them. This bias is quite real, and needs to be addressed with education about the medical origins of behavioral disorders.

**MYTH #3:** The children's SSI program is out of control as shown by the rapid growth of the program.

A number of understandable factors explain why more children are receiving SSI now:

The GAO has found that 70% of the increase was not due to Zebley but due to children with the severest mental disorders meeting the Listings of Impairments, revised in 1990 upon congressional mandate;

Intensified, unprecedented governmental and foundation-funded national outreach campaigns to reach families and professionals serving them;

The Zebley court-ordered re-adjudication of over 453,000 past denials (of which about 135,000 have been found to have been wrongfully denied);

With the recession in the early 90's, more children were in



poverty and thus income eligible for the program;

And the new Zebley rules, which are for the first time fairly evaluating seriously impaired children.

Major decreases in allowance rates now indicate major declines in growth.

The program's total enrollment of some 850,000 children better reflects the eligible disabled child population. In 1989 it was estimated by the Bazelon Center for Mental Health Law that there were 1 to 1.5 million children eligible for SSI.<sup>5</sup>

**MYTH #4:** Parents are "coaching" children to fake disability. Parents are abusing the system to enrich themselves.

The only thorough investigation of this allegation has been a detailed look in May 1994 at 617 child behavior disorder cases by SSA which did not find one case of alleged "coaching" resulting in a SSI allowance. "Possible coaching" was present in but 13 of the 617 with none of the 13 leading to an improper allowance.

Zebley counsel, who through an "800" number talk to thousands of parents around the nation, have not seen any corroborated instances of successful chicanery. Advising poorly educated parents about the SSI program's rules is not improper "coaching," but appears to be described as such by some hostile to the program. This "myth" assumes that it is easy to dupe trained disability examiners. Disability adjudicators look to multiple sources, not any one person, to establish eligibility. By obtaining evidence from physicians, psychiatrists, psychologists, social workers, teachers, therapists, and guidance counselors, and lay people, including SSA's own doctors, SSA's rules provide safeguards to prevent this from occurring.

Examiners look to evidence over a long period of time, further minimizing the impact of one test or one day's behavior. Further, those doing testing like psychologists, are trained to detect feigned symptoms. Recently SSA has established a special "800" number for people to report anonymously alleged coaching.

**MYTH #5:** Retroactive and ongoing awards are being misspent by parents, and not used for the child's benefit.

Here again, after speaking to great numbers of parents who have received large lump sum awards, we do not see a pattern of abuse. Parents are spending the monies on the material and medical needs of the child. Indeed, they are legally required to tell SSA how they spent the money.

There are non-SSI people who, in the 1991-1993 period, observed SSI parents, with little income, spending monies of large amounts in a short period of time. But this is understandable as the one-time, retroactive grants averaged \$10-15,000 and federal law almost compels spending in 6 months. Under a very inequitable provision in the law (and not anticipating Zebley awards), 6 months after a lump sum is received, anything remaining is counted as a "resource" to disqualify future receipt of any SSI. Since the qualifying maximum allowable resource amount is only \$2,000,

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<sup>5</sup>National Health Interview Survey data of children meeting SSI's criteria confirm this estimate. (See Issue Brief, No. 661 of Nat'l Health Policy Forum, Jan. 1995). Other data suggest the number might be considerably higher. See Cedarbaum, "Policies for Children With Disabilities, Connecticut, Virginia and Some National Trends," pp. 8-9 (Draft working paper for Disability Policy Panel of National Academy of Social Insurance, Jan. 1995).

federal law unfortunately gives parents an incentive to spend down within 6 months.

Rather than blaming parents, we should be seeking to amend the 6 month provision, to allow the money to be set aside for the child's future needs. Now, only a legally complicated trust, requiring an attorney, can be used to safeguard the money for the future instead of an easily established, specially designated bank account.

If any parent is in fact abusing their duty to spend monies for the child, SSA will remove the parent as a "representative payee" for the child and find another responsible agent. (About 10-15% of rep. payees are not parents.) This remedy can be utilized to address any such problems in individual cases.

*Zebley Class member*

## APPENDIX 'A'

NOTE TO PROCESSING CENTER  
FURTHER ACTION NECESSARYDEPARTMENT OF  
HEALTH AND HUMAN SERVICES  
Social Security Administration  
OFFICE OF HEARINGS AND APPEALS

## DECISION

IN THE CASE OFCLAIM FORJustin K.  
Sandralee , by  
(Claimant)Supplemental Security Income  
(Child)

(Wage Earner)

(Social Security Number)

STATEMENT OF THE CASE

The record shows that on July 10, 1991, Ms. Sandralee, the mother of Justin K., the claimant in this case, requested review of the claimant's eligibility for supplemental security income under the revised disability evaluation and determination process for supplemental security income claims of children based on disability. The revisions were designed to comply with the February 20, 1990, U.S. Supreme Court ruling in Sullivan v. Zebley, 110 Sup. Ct. 885 (1990). On November 18, 1991, the claimant's mother formally reapplied for supplemental security income on behalf of Justin. The claim was deemed protectively filed as of the filing date of the original application for supplemental security income, February 10, 1993. The claim was denied initially in a notice dated April 23, 1992 (Exhibit 14) and upon reconsideration in a notice dated October 29, 1992 (Exhibit 17). A timely Request for Hearing was filed on December 18, 1992 (Exhibit 18).

After due notice, a hearing was held in Honolulu, Hawaii, on March 11, 1993. The claimant did not appear at the hearing. Ms. was present at the hearing and testified. The claimant was represented by Mr. Philip Ana and Ms. Marion Poirier, non-attorney representatives.

The issue before the Administrative Law Judge is whether the claimant is disabled under section 1614(a)(3)(A) of the Social Security Act. The specific issues are whether the claimant, a child under the age of 18, is under a "disability" and, if so, when such disability commenced and the duration thereof.

The Administrative Law Judge has carefully considered all the documents identified in the record as exhibits, the testimony at the hearing, and arguments presented. It is the conclusion of the Administrative Law Judge that the claimant is under a disability within the meaning of the Social Security Act, which commenced on November 6, 1982, as alleged.

#### EVALUATION OF THE EVIDENCE

The claimant, Justin K. , was born on October 11, 1981. He is presently 11 years old. Disability is alleged based on hemophilia.

The Social Security Act provides that a child under age 18 will be considered disabled for purposes of eligibility for supplemental security income if the child suffers from any medically determinable physical or mental impairment of comparable severity to that which would make an adult disabled.

{ To meet this definition, a child's impairment or combination of impairments must be so severe that the child is not only unable to do past work, but cannot, considering age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy.

As defined in the regulations, "comparable severity" means that a child's physical or mental impairment so limits the child's ability to function independently, appropriately, and effectively in an age-appropriate manner that the impairments and limitations resulting from it are comparable to those which would disable an adult. Specifically, the impairment must substantially reduce the child's ability to grow, develop, or mature physically, mentally or emotionally and, thus, to attain developmental milestones at an age-appropriate rate or engage in age-appropriate activities of daily living and self care, including areas of play, recreation, and sports, school and academics, in vocational settings, and among peer and family relationships, or acquire the skills needed to assume roles reasonably expected of adults.

The medical evidence in the record of this case shows that the claimant was found to have a bleeding disorder at approximately

six months of age. He required hospitalization on November 6, 1982 when he developed a hematoma on his forehead which increased in size with repeated trauma. He was discharged on November 9, 1982 (Exhibit 8). Between April 17, 1983 and December 29, 1987, Justin was seen more than 30 times in the emergency room, more than 25 times for bruises or other minor injuries sustained in falls or other similar accidents. He was treated with Factor 9, which controlled his bleeding (Exhibit 9). His treating physician, Robert W. Wilkinson, M.D., reported on November 12, 1991 that since August 1982, when the claimant came under his care, Justin has had approximately 60 visits to his office for hemophilia-related problems; i.e., joint bleeds, hematomas, and other pediatric problems; i.e., colds, flus, viral pneumonia, ear infections, and gastroenteritis (Exhibit 35).

The claimant's mother has been taught to administer Factor 9 concentrate, which has helped to reduce the number of emergency room visits which the claimant requires. The claimant now self-administers his medication while attending school, with some assistance from his mother (Exhibit 37).

Based on the foregoing, the Administrative Law Judge finds that the claimant has a severe impairment which imposes more than minimal limitations on Justin's ability to function in an age-appropriate manner. The claimant's impairment, while severe, is controlled by treatment with Factor 9. There is no evidence in the record of joint deformity. The claimant's impairment, therefore, does not meet Listing 107.08, Appendix 1, Subpart P, Regulations No. 4, pertaining to coagulation disorders in children. The record does not include other medical findings or impairments which would substantiate a finding that the claimant's impairment equals in severity Listing 107.08 or any other listing in Appendix 1.

Although Justin's impairment does not meet or equal in severity Listing 107.08 of Appendix 1, he has significant functional limitations due to his impairment. The claimant's mother testified that five or six times a month, all of Justin's joints swell. He uses ice packs and injections of Factor 9 concentrate to reduce the swelling. The swelling most frequently affects the claimant's ankles, making it difficult for him to walk. As noted by the claimant's elementary school counselor, Justin is not able to participate fully in activities such as physical education and recess games because of his hemophilia. Because he is either excluded or must participate in an adaptive form in activities which would be "normal" for his school peers, his social interactions and peer relationships, as well as Justin's self esteem, have suffered. He is described as "immature, often interacting inappropriately with peers and adults and lacking

personal responsibility." He has not reported injuries to himself and has reacted negatively to classmates and others, aware of his condition, when they report these injuries.

The claimant is under the care of a psychiatrist, Patrick A. Norman, M.D. Dr. Norman sees Justin for therapy several times a week. Dr. Norman reported on March 2, 1993 that he has known Justin for more than six years and supports his appeal for supplemental security income. Dr. Norman describes socially inappropriate behavior on Justin's part, sensitivity to peer pressure, and rebellious behaviors at home (Exhibit 40).

Based on the foregoing, the undersigned finds that while Justin has been able to progress in school, learning the skills involved in reading, writing and mathematics, he has a marked limitation on his ability to maintain social functioning at an age-appropriate level. His ability to communicate with his peers, family members, and school authorities is also markedly impaired. He has at least moderate limitations on his ability to engage in physical activities due to his impairment.

Considering the severity of the claimant's functional limitations due to his impairment, the undersigned finds that his impairment is of comparable severity to an impairment which would disable an adult. The claimant is, therefore, under a disability within the meaning of the Social Security Act.

#### FINDINGS

After careful consideration of the entire record, the Administrative Law Judge makes the following findings:

1. The claimant has not engaged in substantial gainful activity.
2. The medical evidence establishes that the claimant has hemophilia.
3. The medical evidence further establishes that the claimant does not have an impairment or combination of impairments either listed in or medically equal to one listed in Appendix 1, Subpart 2, Regulations No. 4 (30 CFR 416.925 and 416.926).
4. The claimant's impairment substantially reduces his ability to grow, develop, and mature physically and emotionally and to engage in age-appropriate play,


recreation, and sports, and age-appropriate peer and family relationships.

5. The claimant has been disabled as defined in the Social Security Act, since November 8, 1982, but not prior thereto (20 CFR 416.923).

**DECISION**

It is the decision of the Administrative Law Judge that, based on the application protectively filed on February 10, 1983, the claimant was "disabled" under section 1614(a)(3)(A) of the Social Security Act.

The component of the Social Security Administration responsible for authorizing supplemental security income payments will advise the claimant regarding the nondisability requirements for these payments, and if eligible, the amount and months for which payment will be made.

  
\_\_\_\_\_  
Henry M. Tai  
Administrative Law Judge  
Honolulu, HI Hearing Office

April 29, 1993  
\_\_\_\_\_  
Date

## Children With Disabilities Aren't Cheaters

■ **Social Security:** The number receiving benefits has doubled because of a court eligibility ruling, not parental fraud.

By SUE BURRELL

In their quest to cut federal spending and small mortality in the nation's poor, Republicans have seized on a new target: children's Supplemental Security Income. Legislation being drafted would replace the current system of payments to disabled children with a system of payments to disabled children who are unable to work.

The proposed changes are driven by recent media reports that, through the SSI program, hordes of children with minor behavior problems are taking taxpayers for a ride. Critics claim that the program is a statistics showing that the number of children on the SSI disability rolls more than doubled between 1969 and 1970. The image of SSI as a free-for-all for the unemployed is replaced with a new image of children to act "wary" to qualify for the program, and who then squander their children's SSI checks on gambling and alcohol.

But it is a big mistake to lump children's SSI with welfare fraud. The Social Security Administration's statistics show that the recent growth in the program is attributable to the enrollment of hundreds of thousands of children who were wrongly denied benefits in the past.

Until the 1960 Supreme Court decision in *Sullivan v. Zebley*, the Social Security Administration's eligibility rules for children and adults. Those rules allowed adults to qualify for SSI either by showing how the disabling condition affected their ability to work, or by having a specific disability on the agency's list of impairments. Children, however, had to show that they could qualify only by having one of the listed medical disabilities. This system resulted in the exclusion

of many children with disabilities such as Down's syndrome, muscular dystrophy, spina bifida, AIDS, cystic fibrosis and other chronic illnesses or birth defects.

The court decision required the Social Security Administration to consider not only the children's medical conditions, but also their ability to work. The decision gave them the ability to work, and perform other daily activities. Rigidity occurs only if there is a medically determined impairment that limits the child's ability to function in an age-appropriate manner, compared to the ability to function in an age-appropriate manner. Also in 1960, the Social Security Administration revised its medical standards for

assessing mental impairments in children to reflect advances in medicine and education. Nonetheless, recent concern over the growth in the SSI program has centered on these children who have mental disabilities. Some have feared that children with mental disabilities are being used as a means to get SSI. But in order to qualify for benefits, personality disorders must be medically proven to result in long-term, deeply ingrained maladaptive behavior. Nearly two-thirds of children getting SSI are under 10 years of age, and because they are mentally retarded, a small group consists of young children who have clear developmental delay, but

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whose disabilities are difficult to medicalize or diagnose. Still others are children who are schizophrenic, delinquent, schizoid, or otherwise psychotic; have organic brain disorders or suffer from severe mood disorders (such as manic and/or depressive attacks) or suffer from anxiety, phobias or attention deficit disorder.

The suggestion that the government is giving away money to anyone who wants it must surely outrage the families of children with disabilities. The application process is impersonal and intimidating. From the child's point of view, the process is living it up at the Ritz could not be further from the truth. Children qualify for the SSI program only if they or their families have limited income or resources; the maximum income for a family of three is \$1,200 a year, and the average payment is much less. Moreover, the demands on families who have children with disabilities are staggering. Such children may need constant supervision, special transportation, expensive equipment and a variety of other services. The cost of these services is often borne by the family. Income and inadequate coverage through other benefit programs. The proposed voucher system, similarly, would not cover many of these services.

Even with the assistance of SSI, many families are still unable to meet the needs of their children. Without the federal poverty guidelines. Without the crucial support provided by SSI, many more children would have to be institutionalized or hospitalized at even greater cost to the public.

As with any benefit program, there are children who are not eligible for SSI. In 1962 and 1963, by the Social Security Administration found no evidence of widespread malfeasance. The specter of fraud should not be used to undo the good now being accomplished as the SSI program attempts to overcome past inequities. These children and their families should turn their attention elsewhere.

See Burrell in a staff column with the Youth Law Center in San Francisco.



Mr. ENGLISH. Thank you, Mr. Stein. We very much appreciate your testimony. What I would like to do now is give Members of the Committee here present an opportunity to pose any questions to you they may wish.

Mr. Shaw, do you wish to inquire?

Chairman SHAW. Mr. Stein, I compliment you on your legal skills. I think you went too far, however, in what you accomplished and what has become now a landmark case that this Committee is going to have to deal with.

We have had testimony from mothers who have come in with children in wheelchairs who really—I mean, these kids, if it were not for the extra money, these kids probably would be institutionalized. And God bless the parents that will go that extra mile to keep those children home.

However, we have also heard story after story about the kids and the crazy checks, and those are the cases that you referred to briefly in the latter part of your testimony.

What is your opinion as to what is the purpose of the moneys that are paid out?

Mr. STEIN. Not every kid in a wheelchair is a candidate for institutionalization; in fact, most are not. The SSI Program has a dual purpose. First, it begins to pay for the absolute nitty-gritty necessities of life: Food, clothing, and housing.

Chairman SHAW. All right. Let's stop right there. Why would a child who may act weird or has an attention disorder but does not require any additional medical treatment, why should his parents have money for his food and his shelter?

Mr. STEIN. Well, many of those children need special training and assistance which Medicaid will not provide.

Chairman SHAW. What if they are not getting special assistance? You just said that moneys can be used for their shelter and their—

Mr. STEIN. Well, I am saying there are dual purposes. The money is used both to meet the necessities of life for that child—remember, this is a poverty program. It is means tested. So you start with a child who is in poverty. Especially with disabled children, there are many studies that show that they have financial needs greater than other children. You start with food, clothing, and shelter for that child who is in poverty. In addition, that child has special material and services needs that are not going to necessarily be met by Medicaid.

Chairman SHAW. All right. Just stop right there, and let me ask you a question. Don't you think that there ought to be some showing that the parents of that child are spending moneys for extra needs and are not simply pocketing it? What would you say to the mother who is receiving checks somewhere upward to \$47,000 a year on all seven of her children, plus her common-law husband? Now, what would you say to that?

Mr. STEIN. We have problems with that, and what we would say is—we have a long list of reforms that we do not have time to get into, but we would say for very large families there should be some sort of family cap or graduated sliding scale of benefits. However, the number of large, multiple check SSI families is very small. That is not a representative family. But the newspapers, of

course, or an ABC "PrimeTime" would give us that impression. But the great bulk of families are not anywhere near there.

SSI does not bring most of the families out of poverty. They are still under the poverty level. That is a very exceptional case. We do not agree with it, and we share your views, and we are ready to work making suggestions as to putting on a cap or a sliding scale.

We also say that there should be an accountability. There is in the law the responsibility to use SSI checks for the benefit of the child; what we need is better administration of the law to get accountability from parents on how money is spent. But, again, let's not tarbrush the majority of parents.

You heard Mrs. Higginbotham from Louisiana in Mr. McCrery's district, and she is the more typical parent who is sweating every day to do the best for her kid. She is still not out of poverty, but she is using every penny in the right way, and no one can question how she is spending it. And she is accounting for it every year to Social Security.

Chairman SHAW. We advised her at this hearing, and her daughter Allison, who was here with her, that we were not going to walk away from them, we were not going to forget them.

Mr. STEIN. And I remember your remarks, and I appreciated hearing them.

Chairman SHAW. Thank you. Thank you, Mr. Chairman.

Mr. ENGLISH [presiding]. Thank you, Mr. Shaw.

Mr. Ford will inquire.

Mr. FORD. Thank you, Mr. Chairman.

Mr. Stein, just picking up where Chairman Shaw left off, all of the witnesses that the Republican side of this Committee has put on the witness stand have all been—whether they have been welfare recipients or Supplemental Security Income recipients, in the mainstream of the poor of this Nation, not reflecting what we have seen on television here with the "PrimeTime" story that you are talking about. It looked like those six or seven kids were very able-bodied children. I did not see any disabilities. But we are talking about those isolated cases.

I think we have heard from former welfare recipients today who want to work, want that opportunity, want to move into the mainstream, and we have heard from witnesses last week or the week before who are, in fact, welfare recipients who want to move into the work force, who want an opportunity to advance in life and become a part of the middle class of America and want that American dream that we all seek so hard and work so hard for.

I have listened to the panel here today, and, Mr. Liebmann, you talk about the teenage girl that might make that mistake on that unplanned pregnancy. We talk about taking her from cash benefits, and I certainly do not think that we need to do anything in a welfare reform package that would continue the teenage pregnancy problem at the rates that we are seeing it in this country. And certainly we all would disagree and think that young teenagers ought to finish school and plan these pregnancies when they know they will get married and have a father to take care of these kids.

I support that dearly, but I am just wondering. When we see just the other day with the National Center for Youth in Poverty that

indicated that some 6 million kids under the age of 6 live below the poverty thresholds in this country, and we are talking about taking a cash benefit. We do not want to pass it on and pass it through to the grandmother with the contract with the Federal Government for that daughter of hers to go back to school so she will be able to go into the work force, when we know about 65 to 70 percent of all high school graduates go into the work force on their own through no training programs or assistance.

I do not think that we want to be punitive in a way that penalizes children.

Mr. LIEBMANN. No, no.

Mr. FORD. What do we do to protect the children in these cases? Certainly we want to say to that young mother who might not have planned that pregnancy—and before she makes multiple mistakes and pregnancies before she gets trapped into the vicious welfare cycle—and it is very difficult, we know from past experiences in training programs, in programs that we have experimented with in the AFDC population.

Mr. LIEBMANN. Congressman Ford, I think what I would say to that, first of all, there is no way that anyone can instantly reform what happens to a 6-million person welfare population. It seems to me the best thing you can do is focus upon the new cases of unwed mothers and say with respect to those new cases, which in any community are not that numerous, that if you want assistance from the State, you will enter a maternity home for a period of 6 months or thereabouts, and thereafter when you get out of the maternity home, the State will have a per capita grant for you that it can use in different ways for different people, depending upon whether the person is living at home or living independently.

Mr. FORD. Are you suggesting that all teenage pregnancies should be placed into this home?

Mr. LIEBMANN. I am suggesting—I would not go quite that far, but I would go nearly that far. I think I would go so far as to say that any teenager who is living in a home headed by a mother who is herself a welfare recipient or who is living independently should go into a home for a period of 6 months. And you are not looking in most large cities at enormous numbers here.

Mr. FORD. What would be defined as a welfare recipient? The AFDC cash benefits? Or would food stamps—

Mr. LIEBMANN. AFDC.

Mr. FORD. Just AFDC.

Mr. LIEBMANN. Yes. That would be my definition.

What that would translate to in a city like Washington or Baltimore is about 1,500 cases a year, new cases a year. And if each one went into a home for 4 months, you would need 500 beds. And that is not a large number to generate, because in any large city there are resources that can be used for that.

I read the other day in Baltimore that there is an oversupply of 50 percent in the number of hospital beds in Baltimore. We have empty hospitals. We have empty wings of hospitals. We have housing projects. We have RTC foreclosure property. We have HUD foreclosure property.

If cash payments are made available in respect to mothers for a period of maternity home care, it would not be difficult to create

the necessary institutions quite quickly if there were 1 year's lead time. And I cannot think of a better investment and I would strongly recommend to the Committee that it do something that I do not think it has done to date; that is, devote a half-day to inviting in here representatives of maternity homes, both the large, long-established homes that are more expensive, and also the small, 5- and 6-person homes that have been established in quite a large number under church auspices in recent years——

Mr. ENGLISH. Thank you, Mr. Liebmann.

Mr. LIEBMANN [continuing]. That operate on very modest budgets but do a tremendous amount of good in the lives of these young women and their children.

Thank you.

Mr. FORD. And that would be for the mother and the child, right?

Mr. LIEBMANN. Yes. Now, I am not suggesting orphanages.

Mr. ENGLISH. The gentleman's time is expired.

Mr. LIEBMANN. Far from it. Thank you.

Mr. ENGLISH. Thank you very much.

Mr. FORD. Mr. Chairman, let me just state this for the record. I have been here 8 hours today, and this is a very critical issue that I have before the Chairman and trying to negotiate with your side of the aisle as it relates to group homes or something on this order. With all due respect, and I know the hour is late, we all are somewhat overworked today, but I certainly do not want to go over my time, but I would ask that the Chair would be a little bit more lenient in that gavel in some of these questions. They have waited all day. I know we are tired on this side of it, but I have been here 8 hours today, and I am just going to ask for a little respect for the Chairman of the Committee when I do go over. I am going to try to keep it within 5 minutes, and I think I have abided by that all day today. But there are some of these issues that we are going to be wrestling with, and we will not have an opportunity to have all of these experts to appear before this Committee as we mark up maybe 10 days from now.

Mr. ENGLISH. Certainly. And the Chairman certainly wishes to extend to the Ranking Minority Member all respect, and I have very much appreciated his questioning today.

Mr. Nussle will inquire.

Mr. NUSSLE. No further questions.

Mr. ENGLISH. The Chair would like to thank the members of this panel for their contributions today and for the time they have taken to spend, and we will include any additional materials as part of the record. We will now dismiss this panel and bring on the last one.

Mr. NUSSLE [presiding]. The final panel for this evening includes: Rodney Leonard, executive director of the Community Nutrition Institute; Dazzella Garner, member of the Coalition to Stop Welfare Cuts, from Homestead, Pennsylvania—and please excuse me if I mispronounced your names. You can help me when we get to that point. Dr. Clarissa Pinkola Estes, from Denver, Colorado; Deepak Bhargava, director of Public Policy, Center for Community Change; and Kevin Aslanian, national facilitator for the National Welfare Rights and Reform Union.

I want to thank you all very much for coming and participating in this hearing tonight. You are our last panel, so you have a lot of—you have an opportunity to get in the last word, so to speak. We are in a 5-minute rule, as you have been watching, which means we would like to invite you to summarize your testimony. Your written testimony will be made part of the record by unanimous consent, and if you would help us out by taking about 5 minutes to summarize your testimony, we will hear from Rodney Leonard, executive director for the Community Nutrition Institute.

**STATEMENT OF RODNEY E. LEONARD, EXECUTIVE DIRECTOR,  
COMMUNITY NUTRITION INSTITUTE**

Mr. LEONARD. Thank you, Mr. Chairman. I commend the Committee for its patience and stamina, and I appreciate the opportunity to appear before you.

I would like to indicate that we are immensely concerned about the efforts to block grant food programs and to cash out food programs, because we see this as essentially ending the hunger programs and restoring hunger in America.

Hunger is a form of tyranny because hunger is a political choice. The British chose hunger over food assistance for the Irish during the potato famine. Stalin used hunger as a tool to terrify and intimidate the Russian people. Mao did it to the Chinese. And African rulers today use hunger as a political weapon against their own people.

The United States has opted to eliminate hunger. The American people and Congress chose to do this 35 years ago. Now Congress is considering whether to change its mind, and the proposal now before this Committee calls for the elimination of food programs as a means to provide some \$30 billion in budgetary savings over the next 5-year budget cycle.

I would like to offer for the Committee's consideration an alternative. It also provides \$30 billion in budgetary savings, but will maintain food programs. It will maintain benefit levels at the community as they are now, and it will protect American families, children, infants, and elderly against the tyranny of hunger in America.

The alternative consists of three parts: First, we are proposing that the implementation of the Anti-Hunger Act of 1993 be halted at the end of the current fiscal year. The legislation will increase food program spending by \$2.5 billion through fiscal year 1998, but nearly all of the spending will occur in the last 2 years of that period. If that aspect of the program is halted, that is, implementation is halted, no food is going to be taken away from any person, but we will eliminate future annual program costs of nearly \$2 billion a year, or over \$10 billion in the next 5 years.

Second, we are proposing that section 809 of the Federal Tax Code be repealed. This is an annual entitlement for a small number of mutual life insurance companies. Under the provision of this bill, this legislation, they are entitled to avoid or evade payment of between \$2 and \$2.5 billion in Federal income taxes. The diversion of Federal revenues to corporations through ineffective tax policies is as much a spending decision by Congress as whether to increase or to eliminate food program costs.

The Ways and Means Committee can adopt this proposal now, and it will generate \$12 billion or more in revenues over the next 5 years that otherwise will be lost.

A third recommendation is that appropriations for the Food Stamp Program be reduced in budget projections to reflect the drop in program participation as the national economy continues its recovery from the last recession. Participation can be expected to decline from the 28 million peak last March by an average of 3 to 4 million persons annually over the next 5 years as personal incomes increase with economic growth. The smaller number of participants will lower program costs about \$3 billion a year and reduce budgetary costs by \$15 billion over the next budget cycle.

The alternative demonstrates that the Committee and the Congress can lower budgetary costs by nearly \$40 billion through a combination of actions, and that Congress has a choice between the tyranny of hunger and the policy of eliminating hunger that has served the Nation well over the past 35 years. I urge the Committee to hold a steady, a decent, and a humane course. Thank you.

[The prepared statement follows:]



Community  
Nutrition Institute

2001 S Street, N.W., Suite 530 Washington, D.C. 20009 (202) 462-4700

Testimony by Rodney E. Leonard, Executive Director of the Community Nutrition Institute, prepared for delivery before the Ways and Means Committee of the House of Representatives, Thursday, February 2, 1995.

Mr. Chairman, members of the committee.

Hunger is a form of tyranny; and, like tyranny, requires eternal vigilance. Hunger is a harsh condition and can be a tool to punish the poor. For some, the condition is a means to distinguish themselves as superior to those deemed less deserving. But hunger is a form of tyranny because hunger is a political choice. The British chose hunger over food assistance for the Irish during the potato famine; Stalin used hunger as a tool to terrify and intimidate the Russian people, as did Mao in the Chinese famines of the 1950s and 1960s; African rulers still use hunger as a political weapon against their own people. Food stocks were available in all these situations, but a political decision was made to opt for hunger. No food shortages exist here in America, nor does the U.S. lack the resources to end hunger and malnutrition, as the American people and Congress chose to do 35 years ago.

However, Congress is now considering whether to change its mind. The proposal now before this committee calls for the elimination of food programs as a means to provide some \$30 billion in budgetary savings over the next five year budget cycle. I would like to offer for the committee's consideration an alternative. It also provides \$30 billion in budgetary savings, but will maintain the food programs and protect families, children, infants and the elderly against the tyranny of hunger in America.

Once present, hunger is hard to eliminate. It has taken the United States 35 years to eliminate hunger and malnutrition as a poverty induced condition in America. The absence of malnutrition as a visible symptom of poverty is celebrated, however, in proposals to abolish the programs which made possible the achievement. Congress is now considering whether to observe the 35th anniversary of the food stamp program by ending it together with programs to provide meals to children in schools and day care, to supplement the diets of infants and pregnant women and to provide meals for elderly Americans, including those who receive home delivered meals which enable them to live independently in their homes.

The legislation now before this subcommittee proposes to merge all food programs into a single block grant which would be allocated among the states and territories. The funding level in the block grant would be capped -- i.e., it could go no higher -- and would be reduced in increments over the next five years, starting with a \$6 billion reduction in fiscal 1996.

The federal budget for food programs is about \$42 billion in the current fiscal year, with some \$25 billion allocated to food stamps. Nearly 27 million persons currently receive food stamps, over half of whom are children under age 16, and they would bear the brunt of the proposed cuts. Meals -- both breakfast and lunch -- are served daily to more than 25 million children in public and private schools, and over half are served at no or nominal cost to children in families with low or moderate incomes. Some 7 million infants, nursing mothers and pregnant women obtain a more nourishing diet today than would otherwise be possible because of the WIC (women, infants and children) program. Over 4 million elderly Americans participate each year in the nutrition program for older Americans, nearly one million of whom are home-bound but live at home because of home delivered meals and related services.

The impact of these programs is visible today in the absence of malnutrition, but the condition will return quickly and cruelly in every city and state across the nation. The return of hunger and malnutrition will be measurable as a medical problem, school children will be denied a meal, infant deaths will rise, and more elderly residents will be forced into rest homes. Many parents will be forced to choose between keeping their home or feeding their children because family income for a significant number of Americans does not cover both rent and food.

In the haste to enact the Contract for America, the House of Representatives is caught in a tragic irony: food programs epitomize the goals the Contract seeks to fulfill. Nearly all the funds appropriated are returned to the community as services to local residents; the federal regulations do not impose bureaucratic controls but instead insure eligible individuals and families receive vital services without discrimination; and, the federal funds enable the local community to provide access for all its residents to a nourishing diet, an objective that otherwise is unattainable. The programs are a functioning partnership between federal and state government, underscoring the fact that government can work to help citizens to achieve what they cannot or are unable to do for themselves.

There is an alternative to the tyranny of hunger in America. This alternative will provide more than \$30 billion in lower budgetary expenditures -- without increasing hunger -- through three simple steps:

First, halt the implementation of the Anti-Hunger Act of 1993 at the end of the current fiscal year. The legislation will increase food program spending by \$2.5 billion through fiscal year 1998, but nearly all the spending will occur in fiscal years 1997 and 1998. Halting implementation will not take food from any person, but instead will eliminate future annual program costs of nearly \$2 billion, or about \$10 billion over the next five years;

Second, repeal Section 809 of the federal tax code, an annual entitlement for a small number of mutual life insurance companies. They are entitled to avoid -- or evade -- payment of between \$2 billion to \$2.5 billion in federal income taxes. The diversion of federal revenues to corporations through ineffective tax policy is as much a spending decision by Congress as whether to increase (or eliminate) food program costs. The action, which the Ways and Means Committee can adopt, will generate \$12 billion or more in revenues that otherwise will be lost over the next five years;

Third, reduce appropriations for the food stamp program to reflect the drop in program participation as the national economy continues its recovery from the last recession. Participation can be expected to decline from the 28 million peak last March by an average three to four million persons annually over the next five years as personal incomes increase with economic growth. The smaller number of participants will lower program costs about \$3 billion a year and reduce budgetary costs by \$15 billion over the next budget cycle.

The alternative demonstrates that the committee and the Congress can lower budgetary costs by nearly \$40 billion through a combination of actions, and that Congress has a choice between the tyranny of hunger and the policy of eliminating hunger that has served the nation well over the past 35 years. I urge the committee to hold a steady, a decent, a humane course.



Mr. NUSSLE. Thank you very much, Mr. Leonard, for your testimony.

I believe next on our schedule is Dazzella Garner. Thank you very much for coming, Ms. Garner, and I invite you to summarize your testimony. Your written testimony will be made part of the record.

**STATEMENT OF DAZZELLA GARNER, CHAIRPERSON, CITIZENS ADVISORY COUNCIL FOR PUBLIC WELFARE, PITTSBURGH, PENNSYLVANIA**

Ms. GARNER. Thank you very much.

Good afternoon, Honorable Members of the House Ways and Means Subcommittee on Human Resources. I am Dazzella Garner, and I reside in Pittsburgh, Pennsylvania, which is in the 14th Congressional District and is represented by Hon. U.S. Congressman William Coyne and Hon. U.S. Senators Arlen Specter and Rick Santorum.

Before I go any further, I just want to add something else to my testimony which I did not put in this document. I am 3 months from being 70 years old, and I would like to say to you I am one of those mothers who was a welfare mother in 1965. I came into the welfare system as a recipient of title VII, and in that program, the Welfare Department at that time had decided to take and develop different kinds of job training programs.

Unfortunately, I got sick, and I could not become a homemaker, which I only knew how to do. I was a very qualified homemaker, because I had had 7 children in 8 years, and that is all I did, was to work, clean, cook, and take my children to the hospital.

But as a result of my not being able to move to welfare training, I got a job with a social service agency. I became a streetworker. I walked the streets of Pittsburgh for I do not know how long. I sold and discussed Medicare. I discussed family planning. I took and helped create the summer Head Start Program. I helped to take and create the additional half-day programs when it moved to a week program. I helped to take and be able to do many things at Head Start.

I later went on to do some other things, which I will just highlight.

One, I became the first black welfare mother who had no degree to be the chairperson of Pittsburgh Community Action for Pittsburgh, which had a funding of \$18 to \$22 million. I had to learn quick, and my children said, Mother, I never knew that you could talk in millions of dollars when you barely can talk about \$50. I said, well, sometimes the challenge is there, and if the challenge is there, then you meet it.

I have had some awesome experience, and I am really proud that I had the opportunity to do that. I learned to understand what the system was, how it was controlled, and how it took so much courage to be a part of trying to get into the system. And I advocate this. I tell people that this is the greatest country in the world. And if you want to change the system, you vote and you get out there and say to your employees that I am your boss.

Now, you might not appreciate what I am saying, but, you know, I get tired of people talking about welfare recipients and unwed

mothers and all the kinds of things that they do and they do not do and how much it is costing us, a huge deficit. Well, we are not having a huge deficit on welfare mothers here, believe me. You need to take a look at some of the other costs it takes to run government.

But I do say that if we could develop programs for the teenager who becomes pregnant which gives her the kind of support that she can feel that she is wanted, she is worthwhile, and she can do anything. I have an example. I have a grandchild who became pregnant in her last year in school. I was heartbroken. But I did not offer her any choices. The choices had to be hers. Whatever she wanted, I was willing to support her. She decided to have that baby.

As a result of that, I took care of her and my grandchild until the time she graduated. And when she graduated, she graduated with her baby standing in the wings while she sung an a cappella song. That is a song where you sing without music. She has a beautiful voice.

But she could not have made it through the system if there had not been somebody there to love her, to encourage her, and to be of support. She later went to college. She went to CCAC. And she also went into the JTPA Spark Program.

I tried to encourage her to look closely at the kind of training that she was going to go into, because I told her that the training she was going to go into was obsolete before she even started, that she was not going to be able to get even a minimum job. But you know when you are young, you have to tread the water; you have to go out there and feel the pain.

She finally understood what I was trying to tell her. Baby, being a medical assistant will not get you enough money to take care of you and your baby.

So now she is thinking about going someplace else to get a different type of skill. I will stop on that.

One of the things that I say——

Mr. NUSSLE. Ms. Garner, if you could wrap it up.

Ms. GARNER. I am. I am going to wrap it up.

Mr. NUSSLE. I am supposed to try and keep you within 5 minutes.

Ms. GARNER. I am going to wrap it up.

Mr. NUSSLE. OK. Thank you.

Ms. GARNER. One of the things I do not like about the PRA, it is the most dehumanizing bill that was ever produced. In the first place, it needs to be tossed in the fire and burnt up. I saw this bill 2 days ago, and it is 40 pages long. And if you think anybody can come here and take and do an indepth review on what that bill has and how it affects people, then they must be mighty smart.

And let me say this here. I think if the Governors decide to accept that bill, then they are going to be in trouble, big trouble.

I am finished. Whatever you want, you can ask me some questions.

[The prepared statement follows. The attachments were not available at the time of printing.]

**STATEMENT OF DAZZELLA GARNER  
CHAIRPERSON  
CITIZENS ADVISORY COUNCIL FOR PUBLIC WELFARE**

Good afternoon Honorable Members of the House Ways and Means subcommittee on Human Resources.

I am Dazzella Garner and I reside in Pittsburgh, Pennsylvania which is in the 14th Congressional District that is represented by The Honorable U.S. Congressman William J. Coyne and The Honorable U.S. Senator's Arlen Specter and Rick Santorum.

This is an unexpected Honor to be invited to testify on The Personal Responsibility Act proposed legislation which is a most significant moment of life since The Laws permitted me to vote some 50 years ago.

Time will not permit an in dept review of the entire PRA bill due to the time it became available to the general public - because those who come from the grass root, poor community are not provided the opportunity to review proposed legislation in ample time to prepare for hearings of this nature. Therefore I will discuss (3) Three major concerns germane to all women, men and children who receive benefit by the entitlement program called Aid To Families With Dependent Children, AFDC. The Majority of these households are headed by single mothers of which many are unwed due to various factors. Three provisions which must be seriously studied before PRA becomes the new Blueprint for National Welfare Services for poor, disadvantaged third and fourth class groups in the United States of America.

(1) All unwed mothers between the ages of (18) and (21) will not receive any assistance for herself and child, unless, she is married to the father or marries some one who would adopt the child.

**\*\*\*Explain point of View**

(2) The Total elimination of all mandated entitlement programs which focus most on AFDC.

**\*\*\*Explain point of View**

(3) Fingerprinting of all people on Welfare and those persons who eligible for Food Stamps. This group includes not only AFDC Recipients but the working poor, and senior citizens who are eligible for Food Stamps.

If these groups refuse to be finger printed they will be denied Food Stamp Benefits which they depend on to live.

**\*\*\*Explain point of View**

How could or would any Government employee of the people (Elected Officials) be so cold and calculating to use poor Women and Children as scapegoats to balance the operations of the Government. It is Inhuman.

WHY? Is there a double standard for the unborn child to right birth, but punish innocent women and children. Many who advocate the Right To Life for The Unborn Fetus Have not spoken out against This PRA Proposal.

This room should be filled with protesters, both inside and out protesting this proposal. The question which needs an answer is where are the JOBS! JOBS!JOBS! and meaningful training to acquire marketable skills to ensure permanent employment.

I implore this Honorable committee to revisit this proposed legislation and develop legislation that will work and benefit all peoples of this country. I encourage you to enforce legislation that will provide Economic Opportunities for Low and Very Low Income Persons. Legislation that will provide JOBS!, Meaningful Training and Marketable Skills.

The U.S. Dept. of HUD has had Section 3 Laws on its books since 1968, to provide economic opportunities for low and very low income persons, this law has never been enforced. It is time that laws and legislation of this magnitude become enforced.

If this committee is truly committed to improving the conditions of this country then I challenge you to develop legislation that will require every contract that is procured through the Federal Government, State Government and Local governments with any and all Federal Funding to provide jobs and training for low and very low income persons, as described in the Housing and Community Development Act, Section 3. Create Real Welfare Reform Programs that will work such as those outlined in the Cranston-Gonzalez Act and the "Pathways To Independence Project" (see attached documents). Create incentives for people to be removed from the Welfare system by providing employment opportunities and choices for them to become productive citizens. You must provide jobs, support services and transitional opportunities before you eliminate assistance to poor persons.

We all know that the real Welfare system exists within Corporate America, the tax breaks, tax incentives, etc. I challenge you to encourage Corporate America to "Give Back" To Help, To Partnership, To Create a Better America.

Attachments: Pathways To Independence, Federal Register-Economic Opportunities For Low and Very Low Income Persons, Community Relations and Involvement Initiatives, Economic Lift, Family Investment Centers

Mr. NUSSLE. Thank you very much. I appreciate your testimony. Next I would like to hear from Dr. Estes from Denver, Colorado.

**STATEMENT OF CLARISSA PINKOLA ESTES, DENVER,  
COLORADO**

Ms. ESTES. Thank you. I have been a psychoanalyst for 20 years, and before I start, I need to say something about maternity homes. Having firsthand experience there, I refute entirely the idea of putting young mothers in maternity homes for several reasons, and I will not speak to the emotional and psychological reasons, which are grave. But I will speak to the fact—

Mr. FORD. Pardon me, Mr. Chairman. Dr. Estes, maternity homes? Let me make sure I am understanding what you are saying. Maternity homes, are they different from group homes?

Ms. ESTES. Maternity homes as they were just described by a previous witness in a previous panel.

Mr. FORD. Right. I was in that colloquy with him, and I may have referenced—

Ms. ESTES. That is exactly the kind that I am talking about, and the reason that I object to it that I can speak about briefly here is because of—

Mr. FORD. But as you speak, would you please just talk about—distinguish between the group homes and maternity homes? I had the colloquy, but I do not consider a group home as a maternity home in his definition, but there was a similarity there.

Ms. ESTES. As maternity home was just described by the gentleman on the last panel, that is what I am speaking to.

The reason that I can tell you right now, briefly, is because the money that it takes to fund homes would more properly go directly to the recipients. It is incredibly costly to fund private enterprise to distribute funds. As a woman myself who when I was 18 years old had my first child—as a teenager—I think that most of us, even though we had made a mistake, does not mean that we are stupid, does not mean that we cannot handle money, and it certainly does not mean that we cannot learn, within a few days' period of time, if necessary, to handle it. So if you will excuse me, I would like to go on from there.

Twenty-five years ago, I was either—and you decide—I was either what I have heard some say recently "America's worst nightmare, a welfare queen"—and if I was a queen, I want a crown; I did not get one then—or I am what I believe myself to be and what I think hundreds of thousands of other people who went through the so-called Great Society programs together with me are, I think that we are America's dream come true.

Now, I have a doctorate degree, and I have a postdoctorate degree. But 25 years ago, I had nothing. I am a Latina, and I came from a family that could not read or write. I had a high school education. I was the first person in my family to be able to have such a thing, but even so, I came to be in desperate circumstances, very difficult ones.

After a divorce and with a little tiny child, I had to have help. Imagine a vast ocean, if you would, that had to be crossed in order for me to have a life for myself and my child. Well, all of a sudden came along a little raft on this ocean where there was nothing ex-

cept great waves and storms and dark nights. And this raft was provided by the Federal Government.

I want to read to you briefly a few of the notes from my journal of that time that I have written down here:

Food supplements, once a month I go into the most dangerous part of town, I get processed cheese and a big box of powdered milk. It is such good protein.

Project Child, Federal free health care for my little daughter until she is 5 years old, though none of us adults, no health insurance either. But I pray to stay healthy.

Food stamps, I am grateful for those. I cannot take one more job. I have three already and go to school full time. "Help Me Make It Through the Night" isn't just a love song.

No child care or day care is possible. I am taking my baby to college in a little carrier on my back. I am grateful to have her. At work, people hide her for me when the boss is coming.

So what I am saying is that I think that for the almost 2 years that I was on welfare, ADC, food stamps, Project Child, supplementary food program, job training program, small grants so that I could go to college, State college, for the first time in my life, that I think I know what it takes to take a person who comes from the so-called "underclass" and to help them so that maybe they can cross that ocean.

What I am asking you to do and to continue to do, is to provide the raft. I am not asking you to row. There is no outboard motor on this raft. I am not asking you to provide a yacht, just a raft for us to go across this great ocean that separates the classes, one from the other.

See, we cannot do it without you. We cannot do it by ourselves. If we could, we would have done it by now.

I think that I and hundreds of thousands of other people are waiting for the opportunity to do everything we can do on our own behalf. And we arrive on the other shore, incidentally, not through shame or through being shamed, as I have heard some people propose, but through pride, through pride in ourselves as people who could make it, people who could do it.

So in the very end, I would say, that all these things given are a boost or a push, but certainly not a handout, rather certainly, as we used to say, a hand up. These helps have to continue. Money and management issues are always a concern. M&M's, you know how we say that in business—M&M's, money and management. But there has to be a third M in the equation, and that is mercy. And mercy does not mean to give things away for free or to give to the undeserving. It means to care.

So you decide. I am either a "welfare queen" personified, in which case I want a crown, or maybe I and the hundreds of thousands of us who came through the Great Society programs, are in fact, America's best dream come true.

[Applause.]

Mr. NUSSLE. Thank you, Dr. Estes.

Now I would like to hear from Kevin Aslanian. Am I getting that right?

Mr. ASLANIAN. That is right. Thank you very much.

Mr. NUSSLE. Thank you. You are the national facilitator for the National Welfare Rights and Reform Union.

Mr. ASLANIAN. That is correct, and I am the last witness and there are still some of us around.

**STATEMENT OF KEVIN M. ASLANIAN, NATIONAL FACILITATOR,  
NATIONAL WELFARE RIGHTS & REFORM UNION,  
SACRAMENTO, CALIFORNIA**

Mr. ASLANIAN. One of the things that everybody has been talking about is how bad the AFDC Program is. The AFDC Program is a very good program that supports 14 million people in America. The reason kids in America do not live like kids in Somalia is only because we have the AFDC Program, and we should be grateful for that.

The AFDC Program, according to Mr. Ferrara, who was testifying this morning, from the National Center for Policy Analysis—he also worked for the Heritage Foundation, said the welfare programs cost \$360 billion. That is a nice figure. AFDC recipients get \$20 billion. What happens to the other \$340 billion? I guess States have a good time with that money.

Now, the proposal that is on the table is to send all of this money to the States who spend for administration \$340 billion and give \$20 billion to the people. We would suggest that you cut that in half, which would leave \$180 billion, give half of it to the States, \$90 billion to administer, and the other \$90 billion to the people, and maybe we could live like human beings and we could overcome poverty.

We were very disappointed in H.R. 4 in that the bill would deny AFDC to children living with their families but give them AFDC for living in a foster care family. That is very, very antifamily.

Why are people on AFDC? People are on AFDC because the welfare department or the State officials have not been able to collect child support. Had they collected child support, welfare recipients would have been able to be off of AFDC. In 85 percent of the cases the States failed to collect child support, and that is why people are on welfare. They only succeed in 15 percent of the cases. And what does the Contract say? Give it to these incompetent idiots to run the program again. That is just like if I have a business and I am looking for a manager and I hire someone who has an 85-percent failure rate. I would never hire that dummy to run my business. I am not stupid.

We suggest that the JOBS Program be privatized. The JOBS Program is designed to get people off of welfare, not to keep them on welfare. And what happens right now in the JOBS Program, the States get paid—no matter how many people get off of the AFDC Program. We propose that you give welfare recipients a JOBS voucher, and that JOBS voucher could be taken to whoever we want to choose to provide us with a job. If that person that we take our voucher to gets us a job that gets us off AFDC, they get 50 percent. If the job is maintained for 6 more months, they get the other 25 percent; for 1 year, they get the other 25 percent. Now you have a program that is getting people off of welfare.

Everybody has been talking about the Riverside County Program, how great it is. The Riverside County Program, after spending millions of dollars, maybe \$20 million, after 3 years, the average person who was in the GAIN Program made \$2.80 a day more than the non-GAIN participant. These JOBS Programs do not get the people out of poverty. The only people who get out of poverty are the bureaucrats who are running the program.



Finally, I would like to talk about the teenage families. Again, why are these teenage women on welfare? The only reason they have to apply for welfare is because the deviants at the State level are failing to do their jobs—that is, to collect child support. And what is the response to that? Rather than going after those incompetent dumdums, you go after the woman. That is crazy. You have to go after the right person who is at fault.

Thank you. The red light did not come on.

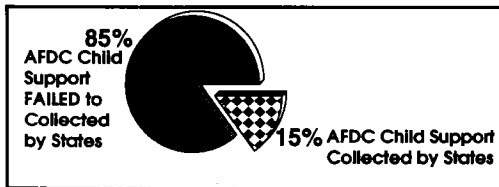
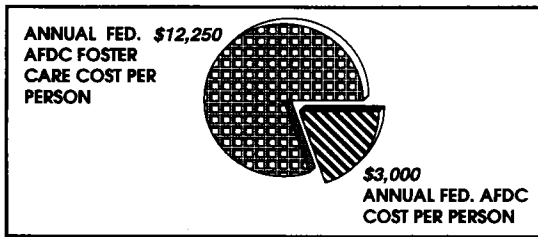
[The prepared statement follows:]

## Before

The House Ways & Means Committee Human Services Subcommittee

### Testimony of Kevin M. Aslanian National Welfare Rights & Reform Union

*Re: AFDC Program  
A view from the consumers*



**NWR&RU 1901 Alhambra Blvd., Sacramento, CA 95816**  
• Tel. 916-736-0616 • 916-736-2645

Good evening, Mr. Chairman and Members of the subcommittee. Thank you for inviting us to testify.

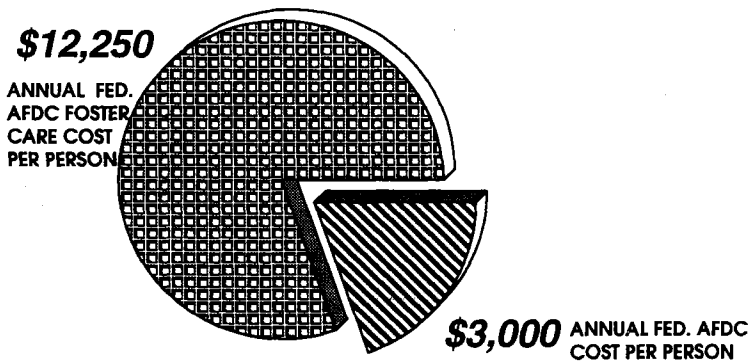
I am Kevin Aslanian, representing the National Welfare Rights and Reform Union. We are here to offer our views on this important legislation which, we hope will positively impact impoverished families and children of America.

Our testimony will identify what we believe are the anti-family and anti-work provisions in the current AFDC Program, which needs improvement.

**THE AFDC PROGRAM, ALTHOUGH NEEDING REPAIRS, IS NOT A TOTAL FAILURE. IT FEEDS AND HOUSES OVER 14 MILLION PERSONS, 70% WHICH ARE CHILDREN, AT A COST OF \$3,000 A YEAR, PER PERSON, WHICH IS A REMARKABLE ACHIEVEMENT FOR THE FEDERAL GOVERNMENT.**

There are lot of problems with the program, for instance: beneficiaries of the program are treated like second-class citizens by welfare bureaucrats and the monthly benefits women receive to raise their children are meager. We challenge any person to raise a family of three on \$400 a month and pay 75% of that money for rent. Remember, only 25% of the AFDC recipients get subsidized housing. Most AFDC recipients have to live in substandard housing and pay 75% or more of their monthly income. They must pay for utilities, buy food (food stamps run out by the 15th of the month), buy clothing for their children, and expect to look clean. These are major problems that call for positive solutions that should not include cutting benefits and punishing children.

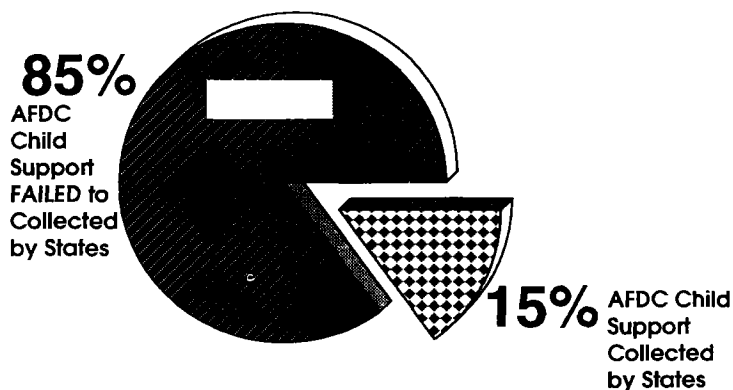
We want to express our opposition to current proposals that deny AFDC benefits to children living with their natural parents, which costs approximately \$3,000 a year, per child, while ironically paying \$12,250 a year, per child (foster care) for the same children who live with a person other than their natural parent or natural family. The graph below reveals the difference in costs. This cost does not include the cost of breaking up families.



### WHO IS RESPONSIBLE FOR THE ALLEGED FAILURE OF THE AFDC PROGRAM?

The primary reason for the alleged failure of the AFDC program should be placed where it belongs with the Governors of each State, not Congress. It should be noted that States are provided with great flexibility.

**The States are failing to collect child support at an 85% failure rate which is the main reason why single women have to rely on AFDC to meet the needs of their children.**



The following proposals are suggested solutions to these problems. They include the privatization of welfare programs and the dismantling of monopolies that state and local governments have on the administration of welfare programs.

### PROPOSED PRIVATIZATION MODEL FOR AFDC, FOOD STAMPS AND MEDICAID

There has been a lot of talk about the privatization of services, including welfare services. For example, food stamp coupons are distributed by private or non-

profit organizations. In California counties receive about \$120 for each application that has been acted upon. They receive about \$60 per month for each regular continuing case carried by the worker.

The intake worker processes about 50-60 cases a month and a continuing worker has a caseload of about 150 cases a month. This means the county receives \$6600 a month (55 cases X \$120 a month which is equal to) or \$79,200 a year for the work of each intake worker. Most welfare workers receive less than \$25,000 a year, which means that the county makes a profit of \$54,200 to pay for bureaucrats. The continuing workers bring in \$9,000 a month and \$108,000 a year for the county, which means the county makes a \$85,000 profit a year. With these kinds of profits, the counties treat the AFDC recipients like dirt. It is the recipients who enable the county to make these outrageous profits.

Privatization would take the issuance of AFDC, Food Stamp and Medicaid benefits away from the government bureaucrats and give it to non-profit organizations, like recipient organizations, charitable organizations or private businesses.

The entity agreeing to operate the "Client Choice Demonstration Program" shall bid on the following activities :

1. Processing applications;
2. Processing continuing cases;
3. Issuing replacement checks;
4. Determination of emergency assistance;
5. Issuance of emergency assistance;
6. Determination of Special need;
7. Issuance of special need.

The State agency shall issue a request for proposal which shall inform the bidders of the amount of money that the state spends for each of the activities listed above. No contract shall be accepted unless bidders agree to perform all of the above stated activities. Once the lowest bid has been accepted, then any other non-profit organization can also administer the "Client Choice Demonstration Program" for the same rates of compensation. The entity having a contract shall obtain a bond to pay for any erroneous payments made to clients.

## PRIVATIZATION PROPOSAL OF THE JOBS PROGRAM

The JOBS Program is designed to make AFDC families self-sufficient. Yet, the only performance measure, to date, is how many people are forced through the JOBS "Pavlovian" tunnels; instead of how many participants became self-sufficient as a direct result of the JOBS Program. California Riverside County JOBS program, touted by Secretary Shalala and the Clinton Administration, as an vivid example of a success, is a dismal failure as evidenced in Attachment #1 of our testimony. The MDRC report funded by the workfare program reveals that **after spending millions of dollars the average JOBS participant in Riverside County has been able to gain \$2.80 a day—a sum that barely pays for the participants' daily transportation.** The JOBS program has failed to get large numbers of AFDC recipients out of poverty and into self-sufficiency.

We propose to privatize the JOBS Program by creating the JOBS voucher program. Every person eligible for JOBS would receive a voucher. The participant or "bearer" will have the right to enroll in any entity that accepts the voucher. If the bearer is able to obtain employment which yields income in excess of 185% of their AFDC level, the vendor will be able cash the voucher in three steps: 1) The vendor will receive 50% of the voucher's value once the bearer of the voucher obtains employment; 2) The vendor will receive another 25% of the voucher's value within 6 months, if the bearer of the voucher is still working and receiving income in excess of the 185% of the AFDC need standard; 3) The vendor then receives the remaining 25% if the bearer of the voucher is still working after 1 year.

Unlike the current JOBS Program, agencies will only be compensated for successfully finding employment for participants. This will guarantee that we finally have a program that rewards successes, not failures.

Who will be the service providers for these vouchers? That can be the local welfare agency, the local JTPA Program, the local community center, the local charity organization, an organization of welfare recipients and former welfare recipients helping other welfare recipients become self-sufficient, local private employment agencies such as French and French, Manpower, etc.

## MAKING THE AFDC PROGRAM PROMOTE RESPONSIBLE BEHAVIOR

There has been a lot of talk of about the lack of "responsible behavior" of welfare recipients. Irresponsibility works both ways. To make our point, we ask, why are AFDC recipients on welfare? Answer - because they are not getting child support. Why aren't they getting child support? Because of the "irresponsible" behavior of the child support bureaucrats who are not doing the job they are well compensated for. What kind of legislative pro-

posals are there to address this "irresponsible behavior" of child support bureaucrats--reams of legislation blaming welfare recipients for being on welfare as a direct result of the child support bureaucrats who are not doing their jobs. To propose "two years and out" for recipients while not proposing the same for child support bureaucrats is inconceivable.

We are concerned about "government" defining behavior of welfare recipients. Similar experiments were conducted after the 1917 revolution and failed. Similar experiments are now being conducted upon poor families by social engineers throughout the Country. This is very dangerous and we are concerned about it. We are also concerned that 95% of these experiments are conducted to the detriment of families and children of America.

The most important "responsible behavior" is the job of taking care of children. The value of parenting should never be undermined. Today, it is considered deviant to be a single parent who is poor and forced to rely on AFDC in lieu of living on child support payments. We salute welfare moms and their heroic act of raising children on less than \$400 a month on the average. It is a remarkable achievement.

#### **ADDRESS THE ANTI-WORK PROVISIONS OF THE AFDC PROGRAM.**

Under the current AFDC program, many women who go to work end up in a worse financial condition than if they did not work at all. We do not mean that they earn the same staying on AFDC. We mean they often become homeless because of the anti-

work policies indicated below, and often they have to spend their food money for work-related expenses. Thus, many women are faced with the choice of taking a job and not being able to feed their children or staying home to make sure they can feed their children. To us, the option is clear--the primary responsibility of a parent to care for the child(ren). Yet, we see many children of working parents malnourished and hungry. This is disgraceful and should be remedied. No-one should be worse off by working. The following changes would go a long way to assure that AFDC recipients are not worse off when they work.

#### **ELIMINATE THE LIMITATIONS ON THE \$30 AND 1/3 EARNED INCOME DISREGARD.**

##### **CURRENT LAW**

Current law limits earned income disregard of one-third, to a four (4) month period and the \$30 disregard, to a twelve (12) month period. This has resulted in the reduction of the number of AFDC working recipients from about 30% to less than 7%

##### **NEW LAW**

Restore the pre-1981 earned income disregards.

##### **RATIONAL**

In a recent report issued by the California State Department of Social Services, (a Republican Administration) finds that restoring the deductions would save money in the long run.

**ALLOW FOR WORK-RELATED  
DEDUCTIONS NO MATTER WHEN  
THE INCOME IS REPORTED**

**CURRENT LAW**

Under current law, any person who fails to report earned income (and provide all of the needed verification, such as pay check stubs, child care verification, of savings, rental payments, utility payments and other verification that State or local welfare agencies may require) on the date in which the monthly income report is due, the family will not receive their work-related deductions, such as child care and work incentive deductions.

**NEW PROPOSED LAW**

Recipients should be allowed to receive all work-related deductions regardless of when the report is submitted to the welfare department.

**RATIONAL**

Under current law, working AFDC parents are laid off or are forced to quit their jobs because; 1) they do not receive the deduction to which they are entitled to and; 2) problems getting a completed income report in to the welfare department.

Often, AFDC working parents are forced to take time off of work to meet with the eligibility worker just to make sure that the "i"s are dotted and the "t"s are crossed, otherwise the income report will be considered "incomplete" and the families will not be entitled to the work-related deductions.

For example, in October, if the income report is considered "incomplete" by the welfare worker, the December welfare check will not reflect the child care deduction and other work-related deductions, so the parent will not be able to pay his or her child

care expenses and will have to either stop working or leave the children at home without child care.

**AUTOMATIC SUPPLEMENTAL PAYMENT  
FOR FAMILIES WHOSE INCOME HAS  
STOPPED OR HAS BEEN REDUCED DUE  
TO RETROSPECTIVE BUDGETING**

**CURRENT LAW**

Under current law, States operating their AFDC program under the retrospective budgeting process, use the income received in Month "A", which is reported in Month "B", to compute the benefits in Month "C", even if the income received in Month "A" has stopped or has been reduced and is no longer available to meet the basic survival needs of the family.

**PROPOSED LAW**

Provide that, whenever the income of the prior month has stopped or has been reduced, the state or local agency shall issue a supplemental payment to insure that the actual income received during the current month, combined with the retrospectively budgeted income, is not less than what the family is otherwise entitled to receive.

**RATIONALE**

While there is no problem in providing State and local agencies with simplified accounting processes, it is wrong to allow this process to result in families becoming homeless, when it can be addressed through a provision of automatic supplementation process.



**PROVIDE THAT OVERPAYMENT  
RECOUPMENTS WILL BE LIMITED TO  
UP TO 10 PERCENT OF THE ACTUAL  
AFDC GRANT**

**CURRENT LAW**

Under current law, if an AFDC recipient is working and has an overpayment, the state agency can recoup the overpayment from the earned income disregards, which include the standard deduction, the \$30 deduction and the one-third deduction.

**NEW LAW**

Limit recoupment up to 10% of the maximum AFDC benefits to which the family is otherwise eligible notwithstanding the earned income.

**RATIONAL**

This would stop the existing practice of punishing persons who work by recouping so much money from their grant that they have to quit their job to pay the rent and feed their children.

**ANTI-FAMILY LAWS IN THE AFDC  
PROGRAM**

**REPEAL THE STEPPARENT  
DEEMING PROVISIONS**

**CURRENT LAW**

Under current law, if an AFDC woman decides to form a two-parent family and does this act by playing by the rules by getting married, the welfare laws now attack the man she married by making him responsible for her children who are not getting child support due to the irresponsible behavior of the child support bureaucrats. The current law will deem his income available to the children who are not his natu-

ral children, by taking his gross income, deducting a \$90 from his gross income and deducting an amount needed to provide for one person on AFDC. This puts great strains on the marriage. He had no idea that he would be responsible for the support of somebody else's children. He really thought that the child support bureaucrats were responsible persons and would be doing their job, rather than trying to make him do their job. This often leads to divorce.

**NEW LAW**

Revise the law to provide that only such income that the stepparent actually makes available to the AFDC children shall be considered income.

**RATIONAL**

The current law discourages two-parent families. Our laws should encourage two parent families. Our laws should not punish people who play by the rules.

**REPEAL THE 100 RULE AND WORK  
QUARTER REQUIREMENTS FOR TWO-  
PARENT FAMILIES**

**CURRENT LAW**

Under current law, if the principal wage earner of a two-parent family work over 100 hours and makes as little as one penny, the entire family would be ineligible for AFDC benefits. Current law also includes prior work experience as a condition of two-parent eligibility for AFDC. Thus teenage fathers cannot live with their families if they have no work experience.

**NEW LAW**

Repeal the limitation imposed upon two-parent families which are not imposed upon single parent families.

**RATIONAL**

The current law is anti-family and should be repealed.

**ONLY DEEM INCOME FROM PERSONS WHO ARE RESPONSIBLE FOR THE SUPPORT OF THE CHILDREN**

**CURRENT LAW**

Under current law, some persons who are not the natural or adopted parent of the AFDC child are being forced to support such child instead of going after the natural parent.

**NEW LAW**

Limit deeming of income to the natural or adoptive parents.

**RATIONAL**

This prevents certain men to be a part of the household and to have a male role model in the house. The change would encourage two-parent families.

**KEEPING PREGNANT TEENS WITH THEIR FAMILIES**

**CURRENT LAW**

Current law allows states to require AFD recipients under 18 to live with their parents as a condition of eligibility. If the teen mom stays with the parent, then the parents income is deemed to be available to the child who is the responsibility of the absent parent.

**NEW LAW**

If the State forces the child to stay with her parents, then the only person liable for the support of the child shall be the absent parent.

**RATIONAL**

Parents resent the fact that their daughter got pregnant by some man and now they are responsible for the support of their daughter and the child. The child should be the sole responsibility of the absent parent and not the parent.

**CONCLUSION**

We want to make it clear that local governments are still part of the "big government" problem. State and local governments have been submitting false claims to the federal government for years, without impunity, to obtain increased federal funding. Many believe state and local governments are closer to the people, thus are more accountable. This is far from the truth. State and local bureaucrats are just that -bureaucrats working for the state or local government. In fact, many former federal bureaucrats work for state and local government and visa-versa. And the States and local government are responsible for the carrying the goals of collecting child support. How have they performed? Miserable - over 15% failure rate or more. This will happen if States are given carte blanche authority to run the AFDC program. Maybe when they learn how to collect child support, then Congress should consider trusting States with the lives of our families and children. **WE DONT TRUST THE STATES.**

# A Closer Look at the "GAIN: Three-Year Impacts of Six Counties" by Manpower Demonstration Corporation Report Dated June, 1994

MDRC, a nonprofit corporation advocating for workfare by issuing reports funded primarily by welfare officials, released its June 1994 Three-Year Report on the California Workfare ("GAIN") Program. The report shows evidence that: (1) GAIN fails to get AFDC families out of poverty and (2) the escalating costs to taxpayers for GAIN is not being offset by increased earnings of AFDC recipients participating in the GAIN Program.

## T A B L E # 1

Counties	Difference of Total Monthly Earnings With and Without GAIN	County Monthly Costs Per Participant
Alameda	\$ 41.44	\$ 110.37
Butte	\$ 40.94	\$ 65.98
Los Angeles	\$ 7.22	\$ 99.73
Riverside	\$ 86.47	\$ 49.38
San Diego	\$ 49.22	\$ 53.83
Tulare	\$ 10.39	\$ 62.18
Statewide	\$ 39.28	\$ 73.58

### 1. GAIN fails to get AFDC families out of poverty.

The MDRC report reveals that after three years and expenditures in excess of \$1 billion, the monthly increased income for GAIN families, compared to non-GAIN participating families, ranges from \$7 to \$86 per month. The Statewide average is \$39.00 per month. This increase does not cover the cost of transportation and certainly does not propel families out of poverty. Rather, the family remains impoverished. See Table #1. It should also be noted that this increased

income does not result in savings to government because of the AFDC income disregards of \$90.

### 1. GAIN participants costs per \$1 increased earnings versus nonGAIN participants.

The Report also addresses the taxpayer cost of the earnings for GAIN and non-GAIN participants. The Report discusses

the five-year costs associated with the experimentals and the controls. The "controls" are the families who do not participate in GAIN, but still had access to the \$24 + billion employment programs in the U.S.

The Report establishes that for every tax dollar spent, the controls were able to earn more than the GAIN participants. **See Table #2**

It is clear that our government does not want all people to work. Why do workfare proponents still talk about self-sufficiency through workfare programs? Because the "workfare industry", which includes the

bureaucrats and researchers, need to insure that they continue to receive their own monthly welfare checks.

#### CONCLUSION

This study proves that GAIN does not make welfare families self-sufficient and per \$1 increased income is more costly to GAIN participants versus non-GAIN participants.

The report fails to mention that the persons who became self-sufficient with GAIN funds are the GAIN bureaucrats and the GAIN researchers not poor families.

### COST OF INCREASED EARNINGS FOR GAIN AND NON-GAIN PARTICIPANTS PER MDRC GAIN 3-YEAR REPORT

TABLE #2	Counties	Taxpayer Costs for Each Increased \$1 Earnings of Non-GAIN Participants	Taxpayer Costs for Each Increased \$1 Earnings of GAIN Participants	Difference in Taxpayer Costs for Each \$1 Increased Earnings Between GAIN and Non-GAIN Participants
	Alameda	\$ .28	\$ 1.08	\$ .81
	Butte	\$ .21	\$ .51	\$ .30
	Los Angeles	\$ .13	\$ 1.30	\$ 1.16
	Riverside	\$ .30	\$ .37	\$ .07
	San Diego	\$ .25	\$ .40	\$ .15
	Tulare	\$ .21	\$ .56	\$ .35
	Statewide Average	\$ .23	\$ .63	\$ .40

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Mr. NUSSLE. You did a very good job of staying within the time. I appreciate that.

I appreciate all your testimony that you have provided us here today, and most especially I appreciate the passion with which you bring that testimony. Particularly, Dr. Estes, the passion of your experience as well as, Ms. Garner, the passion of your experience, certainly has something for us to learn from.

Let me just ask you, particularly for somebody who was, as you put it, I believe, a welfare mom from back in 1965, why do you think it is we have more welfare mothers today and more people on welfare today—not just because there is, obviously, more people. Why do you think there are more today than there were even after all of the money that we have spent and the programs that we have devised and the bureaucracies that we have built? What is your sense from your perspective of having lived through it, as you have said? What is your perspective as to why it seems to be getting worse even though we do try harder?

I think what we can all agree on is that we have been trying during that period of time, I would suggest. Why does it seem to get worse, in your estimation?

Ms. GARNER. Well, I think there are a number of reasons. One, our society has changed drastically as to what they say is appropriate behavior. I really feel that the media asking what it means to be a woman, and to be a woman you must be a sex object. Therefore, in order to take and be a part of the crowd, you have to do what the media tells you. That is the first thing.

Two, I think we have come to two periods in our lives where there just has not been enough jobs for people. The school system has failed. We have a mixed message saying I am not going to teach you how to use family planning in order for you to take and plan your life and to be ready to assume motherhood at another time after you have gotten certain things accomplished. That is one thing. Two, we have a group of people in this world who say it is right, the right to have the unborn fetus to be born is a big crime. Yet at the same time we put all this blame on these young girls, whoever they be.

Now, really, I really think that in this room every woman in this country should be standing here in this room protesting the difference in our society that one receives certain kinds of approval and the other ones do not.

The other thing is I think it is really a very subtle kind of thing that is occurring. The young lady talked about maternity homes. When I was in social service, very few minorities could get into a maternity home. Very few. I think what you have in this country is a decrease of certain groups of people not having babies, but statistics say that in 1965 there was a 2.9 percent white women having children that were not married. In 1994, that had risen to 30 percent. Now, the black mother or the mother of color, she had a 29 or 30 percent children illegitimate in 1965. She currently has a rate of 69 percent.

Now, would you please tell me, what is the difference between the two as far as percentages are concerned? I really think that behind this whole movement there are certain people in this country who want to make sure that we produce more majority children for

adoption. And if you do that, then we are going to control where these children are going to be put. People do not have to go to Russia anymore or to Poland anymore to get a baby. They have babies already here. And what we do today is we say that people of color do not want to adopt children. That is not true. I have a daughter who has adopted three children, and she is not married.

But that is what I really think. I think it is our attitude. When I was a young girl—let me say this here—you might not even think you were going to be pregnant, because, let me tell you something, we got shipped—if you got pregnant, you got shipped someplace else. And your dad was going to kill you in the next place if you even come up being pregnant. There were certain things that you knew that you could not do and you better not do them. And I do not think we have that same kind of attitude coming from parents today.

I do not think that women have—I do not think really men have to be really based in the home. It is nice to have one. But if you look at the statistics, they say that the average man only spends 25 minutes a day with his kids. And all the time that is put into rearing those kids comes from the woman.

I am not saying it is right or wrong, but I think we balance the budget, we criticize the woman, and we never criticize the man.

Now, Pennsylvania has had the law that you all are fighting to put in your particular act, that you must establish the parent of the child. Well, we have been pushing that for a long time. We got ourselves the most punitive welfare bills I have ever seen come out of Harrisburg.

I really think that if we could talk to girls and tell them about what is going to happen to them in their future, men do not want children. Men do not want to take care of any extra children. But the average woman feels that until she has a baby for a man, she does not—you know, she wants his love. And I think that has a lot to do with it.

Now, do not ask me about the solution, because I do not have a solution. I think women have got to set their own goals and they have got to be able to move on to meet the challenge.

I appreciate the young lady here, but I also would like to tell you it took me 10 years to graduate from the University of Pittsburgh. So if you have a goal and you know what you want and you know it is important, you will keep pushing and keep pushing, and you will encourage your children to do likewise.

You set their goals. You condition those kids from the minute they get here as to what you want them to do. You encourage them. There are just certain things that you do. You plan. You know, the old adage is: A lawyer's son becomes a lawyer; a doctor's son becomes a doctor. And the same thing applies to anybody. If you do not sit and plan for your children's future, they will be staying in the same hole that they are existing in today.

That is my answer. I do not know if anybody else has an answer to it.

Mr. NUSSLE. I appreciate your answer.

Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Dr. Estes, I am reading something now from the Coalition of Women in Job Training, and let me see whether or not you would agree with this, you and Ms. Garner, maybe.

It indicates here that the average AFDC mother is 29 years old, has two children, and 4 years of work experience. But because of limited skills and education, these women have often been limited to low-wage jobs and part-time or temporary jobs, and many single mothers use welfare as a source of income between jobs because they do not qualify for unemployment compensation benefits.

It goes on to say that long-term self-sufficiency of women and their families must be the goals of any welfare reform effort. Welfare reform that simply gets women and their children off welfare will only increase poverty and homelessness.

Do you agree with the coalition's position and statement there?

Ms. ESTES. Well, without reading it in its context, I would say—

Mr. FORD. Just that part of the context. Would you agree with it?

Ms. ESTES. I understand that you are asking me if I agree that cutting people off welfare would interfere with their ability to advance. If they are in a situation as you described, then I would say yes, because the people need a period of time, call it transition if you like. They need a period of time.

I had one child. Really, even though it was hard, it was much easier than if I had two, and far easier than if I had three or four.

Mr. FORD. Really what I was focusing on is education and training.

Ms. ESTES. Education and training is essential, but it is really essential to train people in something besides turning hamburgers. It is important to train them with job skills that are for the next century, for the 21st century, because, as you know, our industrial age—I grew up in the upper Midwest, it is over, it is gone. It is over.

So people who have those skills many not have as many options as they would like. I would like to see educational programs for everyone, and wide open, no age limits, no year-long limits, you know, not 2 years here and 2 years there. If it takes her 10 years to graduate from college, then she should have help, and I am not saying that she should be subsidized. I am saying that she should have help all the way through those 10 years until she is done.

Mr. FORD. Well, the earned income tax credit along with a minimum wage or right about minimum wage job, if you had a food stamp disregard and Medicaid benefits, a person would be much better off than drawing public assistance cash benefits and food stamps. The income itself in the household certainly would double in some States. I am from a poor State which pays low cash benefits, Tennessee, in which a family of three receiving \$189 in cash benefits and about \$350 in food stamps, \$200 in Medicaid benefits, \$100 per month per child, even if they receive some type of subsidy, we know only about 40 or 30 percent of the welfare population receives any type of housing assistance.

But if you would take that and compare it with \$8,800 a year in minimum wage benefits, with \$3,200 in the earned income tax credit, along with a disregard for food stamps for the first year, it

seems to me that work would be a lot more attractive than welfare benefits to a welfare recipient.

Ms. ESTES. I think the titles of what they are perhaps do not matter so much, but the amount of money—and also when money is administrated by the Federal Government, one of the things that has been set up is that, not always but often, there are people who also add a psychological factor that can never be underestimated, and that is encouragement. They are encouraging of the people who they meet every day, and for myself, I actually was involved in eight different programs. Eight different programs. And at that time, there were more than that, but that was what I felt I needed. I could have taken more. I did not feel I needed to.

Mr. FORD. Thank you, Mr. Chairman.

Mr. NUSSLE. Thank you, Mr. Ford.

Thank you, ladies and gentlemen of our final panel, and thank you to those people who stuck it out to the bitter end to listen to all of the testimony and participate with us today, particularly to the Ranking Member, who I understand was here most of the day. That is not an easy job, and I appreciate it.

Mr. FORD. Thank you very much, Mr. Chairman, for hearing from all of the witnesses, and I certainly would like to thank all of the witnesses who have testified today, and those who will be tuning in to hear from the witnesses who have testified on welfare reform.

Thank you again, Mr. Chairman.

Mr. NUSSLE. Thank you.

The Subcommittee stands adjourned subject to the call of the Chair.

[Whereupon, at 6:44 p.m., the hearing was adjourned subject to the call of the Chair.]

[Submissions for the record follow:]



TESTIMONY OF MARGARET PRUITT CLARK  
ADVOCATES FOR YOUTH, WASHINGTON, D.C.

Chairman Shaw and Members of the Subcommittee, I am Margaret Pruitt Clark\*, President and Executive Director of Advocates for Youth (formerly the Center for Population Options). On behalf of Advocates for Youth, I am pleased to submit testimony to the Subcommittee on Human Resources for the record of its series of hearings on welfare reform. Of special interest to my organization is the topic of "Illegitimacy and Welfare," the title of the hearing held on January 20, 1995.

Advocates for Youth, a not-for-profit agency located in the nation's capital, was founded 15 years ago with the mission of increasing the opportunities for and abilities of young people to make healthy decisions about their sexuality. We provide information, education and training about adolescent reproductive and sexual health to youth-serving professionals, policymakers and the media.

In light of Advocates for Youth's mission and the work our organization does with and on behalf of young people, particularly in the field of teen pregnancy prevention, our organization has a strong interest in government policies directed at adolescents, be they parenting or non-parenting teens. To this end, I would like to share some observations which I hope you will consider as you proceed through the difficult process of analyzing the shortcomings of and improving the welfare system so as to facilitate sustained independence.

Despite the formal title of the hearing of particular interest to my organization, "Illegitimacy and Welfare," I intentionally do not use the terms "illegitimacy" or "illegitimate" in this statement. Simply put, no child should be called or considered illegitimate. Obviously, not all children are born to married people. But in a country where, ideally, the circumstances under which or into which an individual is born should not determine that person's identity or life outcome, labelling children with such a pejorative term is a step backwards in the realm of public policy debate. I will, therefore, use the terms "too-early childbearing" and "out-of-wedlock birth(s)" to describe the situation at issue.

The Personal Responsibility Act, H.R. 4, cites its purposes as restoring the family, reducing out-of-wedlock births, controlling welfare spending and reducing welfare dependence. Indeed, the federal government has an interest in and responsibility to promote the general welfare of society. It is not, however, within the purview of government coercively to prevent unmarried women from bearing children. Likewise, the government should not *de facto* force women to bear children. To do either intrudes upon the individual's right to control her own reproductive health.

There is an appropriate governmental interest, however, in the well-being of children, their health and the equality of opportunity afforded them. This means that where required the government should play a role in helping to ensure that children have the resources they need to be healthy and safe -- including access to services that provide basic needs such as food, clothing, shelter, health care, a safe home and community. In the context of welfare programs, specifically Aid to Families with Dependent Children (AFDC), the government would abdicate its responsibility if it were to withhold financial assistance to families for meeting children's basic needs.

H.R. 4 proposes to deny permanently AFDC benefits to children born to young women under 18 years of age; to allow states to deny AFDC benefits to children of mothers ages 18 through 20; and to allow states to deny housing benefits to those

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\* Dr. Clark received her doctorate in sociology from the University of Texas at Austin. She has served as a state legislator in the Maine House of Representatives and as the Executive Director of the Maine Adolescent Pregnancy Coalition.

families as well. From the "savings" that would result, states instead would be allowed to apply for grants to establish and operate orphanages, to promote adoption, to create and expand programs to discourage out-of-wedlock births, and to establish and operate closely supervised residential homes for unwed mothers, or to use the funds in any manner the state deemed appropriate to discourage out-of-wedlock births and to care for children born out-of-wedlock. At the same time states would be prohibited from spending any of these federal funds for abortions or abortion counseling.

Advocates for Youth objects to the Personal Responsibility Act's ill-conceived, anti-family, anti-youth, and anti-poor approach to reforming the welfare system. We do find some solace in the recent remarks of Senate Majority Leader Robert Dole (R-KS), who indicated that he does not support cutting off welfare payments to mothers under 18 who are in need of welfare benefits.<sup>1</sup> While there are many other provisions of the bill that disturb Advocates for Youth, I will confine my remarks to the above-mentioned areas which fall most directly within my organization's mission.

Since its inception in 1980, Advocates for Youth has studied the issues of teenage pregnancy and out-of-wedlock teenage childbearing and effective ways to address both issues. You will note that I refer to these as two distinct issues because, although they are clearly related, each has unique causes and solutions. Teenage pregnancy does not necessarily lead to teen childbearing. Those cases where it does provide some important information about the complex problem of teen childbearing.

The punitive proposals contained in H.R. 4 are based on the erroneous notion that there is a direct causal relationship between welfare dependency and out-of-wedlock births, particularly births to teens. We know that welfare, including AFDC, is not the cause of teenage pregnancy and childbearing. Poverty, poor schools, inadequate health care, lack of access to family planning services, lack of knowledge about sexuality, sexual abuse, parental neglect and lack of hope for the future are some of the myriad causal factors underpinning this nation's escalating number of teenage pregnancies. Welfare may enable many young women to support the results of poor decision-making or non-decision-making, in some cases. But AFDC payments themselves do not prompt the majority of adolescent girls to become pregnant or to give birth. Once we debunk these fast growing myths and appreciate why young women, especially poor young women, become pregnant and choose to have children, then we will be able to move toward stemming the rising tide of too-early childbearing.

The first step in addressing the problems of adolescent pregnancy and childbearing is to acknowledge the reality of teenage sexual activity. The statistics on teenage sexual activity should be of some help in that regard. Approximately one-third of 15-year olds in the United States have had sexual intercourse. Thirty-two percent of females and 58 percent of males age 16; 51 percent of females and 67 percent of males age 17, and 70 percent of females and 79 percent of males age 18 report having had intercourse.<sup>2</sup> Looking at rates of sexual activity broken down by race and ethnicity we see the following trends. Among unmarried 15- to -19-year-old males, 81 percent of African Americans, 60 percent of Latinos and 57 percent of European Americans have had sexual intercourse.<sup>3</sup> Among unmarried females ages 15 to 19, 61 percent of African-Americans, 49 percent of Latinos, and 52 percent of European Americans have had sexual intercourse.<sup>4</sup> Research has shown that the younger a woman is at the time of her first sexual experience, the more probable it is that the encounter was forced, that is, took place without her consent. Seventy-four percent of women who had intercourse before age 14 and 60 percent of women who had intercourse before age 15 report that it was involuntary.<sup>5</sup>

The decline in the average age at first intercourse has coincided with a rise in the

average age at first marriage. In 1950 the average age at first marriage for men was 23 and for women it was 20. Four decades later the average age for men is 26 and 24 for women.<sup>6</sup> Reflecting the worldwide trend toward marriage at an older age (if at all), the likelihood that a young woman will have intercourse before getting married has almost doubled in the past thirty years.<sup>7</sup> In light of these changes, it is highly unrealistic to expect that young people will wait until marriage to become sexually active, and indeed, they do not. Therefore, the responsible approach is to provide access to reproductive health information and services to ensure that unintended pregnancies and unwanted births do not result once teens become sexually active. In addition, for some young women, African Americans in particular, the prospect of marriage is rapidly diminishing due to high unemployment rates and the lack of educational and labor opportunities for African American men. Still, for some young women, enhanced economic independence along with changing gender roles has made the desirability of marriage questionable.

Compared with other industrialized countries, the United States has the highest adolescent pregnancy, abortion and birth rates, with 43 percent of all adolescent females estimated to experience at least one pregnancy before they reach the age of 20.<sup>8</sup> In 1989, an estimated 1,050,040 females under the age of 20 experienced a pregnancy. The pregnancy rate for females under 20 was 118.8 per 1,000 women up from 98.9 in 1973.<sup>9</sup> We know that approximately 2,800 adolescents become pregnant each day: 1,300 will give birth; 1,100 will terminate the pregnancy; and 400 will miscarry.<sup>10</sup> Three quarters of all unintended pregnancies occur to adolescents who do not use contraception.<sup>11</sup>

Teen birth rates and marriage rates in the United States must also be considered in a larger global context. This country does not fare well when compared with other industrialized nations. In countries such as Sweden and the Netherlands, where the national governments have made philosophical and monetary commitments to family planning and comprehensive sexuality education, teen pregnancy rates and birth rates are significantly lower than in the United States. Yet the level of sexual activity among adolescents in those countries is similar to that in our country, indicating the beneficial effects of social and financial commitment to prevention and education instead of punishment when addressing teen sexuality.

This brings us to the relationship between too-early childbearing and welfare dependency. Contrary to the current negative rhetoric about teen mothers and the assertion that welfare benefits encourage young women to get pregnant, statistics suggest otherwise. **Most teenagers do not want to become pregnant.** In fact, 82 percent of teenage pregnancies are unintended, resulting from a variety of factors, including peer pressure, lack of self-esteem, poor communication between adults and adolescents, lack of understanding of reproductive health, lack of access to family planning information and resources, insufficient access to alternative constructive recreational activities, sexual abuse, or coercion arising from the significant age disparity between some young women and their partners. **As a nation, we could make significant strides toward reducing the number of teen pregnancies by funding youth programs that are sensitive to and treat the multidimensional nature of the problem.**

Further, the causal relationship some have drawn between financial incentive and childbirth does not reflect an informed understanding of adolescents. Young women do not, as a general rule, have children in order to receive AFDC benefits or in order to set up their own households. If the incentive relationship between welfare payments and out-of-wedlock teen births were true, then we would expect to see higher teen birth rates in those states where AFDC payments are highest and lower birth rates where the payments are low. This would follow the flawed logic of "the bigger the AFDC check the more likely an adolescent would be to have a baby." In fact, the numbers do not support this theory. For example, in 1990 the average AFDC benefit received per

recipient in the state of Connecticut was \$206. The birth rate (births per 1000 women) in the 15 to 19 age group in Connecticut that year was 38.8. Compare this with Mississippi, where the average per person AFDC payment in 1990 was \$40, less than one-fourth of the amount in Connecticut. Yet Mississippi's birth rate for 15- to 19-year old to was 81.0, more than twice the rate in Connecticut. Alaska made an average payment of \$246 per person. The pregnancy rate for 15- to 19-year-old women was 65.3. Louisiana, in contrast, paid AFDC recipients \$56 each on average. Yet the state's birth rate was 74.2, higher than Alaska's. The average payment in both Arkansas and Tennessee was \$66. The birth rates for women ages 15 to 19 were 80.1 and 72.3, respectively. In contrast, Massachusetts paid each AFDC recipient \$204 on average. Yet the birth rate was a relatively low 35.1.<sup>12</sup> These numbers are consistent with research indicating that teenagers are not motivated to become pregnant and give birth based on the potential for minimal financial gain.

The issue grows more complicated, however. While the majority of teenage pregnancies are unintended, as many as half of young women who become pregnant unintentionally are ambivalent about pregnancy and even about taking active steps to avoid pregnancy.<sup>13</sup> That is, they take an alarmingly indifferent "shrug the shoulders" approach to some very important life decisions. Again, the key to dealing effectively with teen pregnancy and early childbearing is to address young women's indifference about the future by providing options for the future in the form of educational resources and employment opportunities.

**Efforts to reverse the growth trends in the number of teenage pregnancies and early childbirths should not be just part of welfare reform, but should be the focus of a larger national legislative initiative to give young people the attention, services and resources they need to be self-sufficient before problems arise.** The focus cannot solely be on young women because they are only half of the equation when it comes to making babies. Male involvement at all levels must be part of the formula for solving these problems. I will outline below some of the steps we must take if we want to give all young women and men the chance to have healthy, productive futures.

We know that the first link in the chain of both issues is teen sexual activity. Young people -- male and female -- should be encouraged to delay sexual activity until they are prepared to assume the obligations that it can bring. This means equipping adolescents with tools beyond "just say no." We have to teach adolescents how to say no. At that same time, many teens need to be given reasons to say no to early sexual involvement. Particularly in economically-depressed neighborhoods, adolescents need alternative recreational activities and other incentives not to engage in high-risk behaviors.

We must also encourage responsible behavior by those young people who do choose to be sexually active so that they will be at lesser risk for experiencing sexually transmitted diseases, HIV/AIDS and unintended pregnancy. As other industrialized nations have found, encouraging adolescents to delay having sex and informing them how to protect themselves should they choose not to delay are not contradictory goals. Rather, they complement each other because they respond realistically to the range of social behaviors in the adolescent population.

If we want young people to become responsible citizens who make thoughtful decisions about important life matters -- educational pursuits, family formation, childbearing -- then we have to treat young people accordingly. They will live up or down to our expectations. Responsible adults -- parents, relatives, teachers, guidance counselors, coaches, ministers, volunteer mentors, concerned friends -- must help young people develop good decision-making skills which include identifying a desired goal,

evaluating the merits of that goal, weighing the costs and the potential gains, and considering the potential outcomes.

These are not "pie in the sky" ideas. There are concrete ways to bring them to fruition. First, federal resources should be directed at comprehensive school- and community-based youth service programs. These are places where young people learn and receive social and academic skills, family-life education, family crisis intervention counseling, pre-employment training, conflict resolution and violence prevention skills, and participate in athletic and artistic activities. Examples of successful programs that could serve as model programs include: Meharry Medical College's "I Have A Future" program in Nashville; The Children's Aid Society, run by Michael Carrera in New York City; and Grady Memorial Hospital's "Human Sexuality, Postponing Sexual Involvement," run by Marion Howard in Atlanta. (I would be happy to provide information about of other programs if the Subcommittee is interested.)

Since we must attack these problems from all angles, other approaches include the promotion of abstinence-based (but not abstinence-only) sexuality education beginning no later than the fourth grade; funding for peer-based and adult mentoring programs for young people at highest risk for pregnancy, STD and HIV infection. In addition, adults, particularly those in the communications field, must send consistent messages that say early adolescent childbearing (as opposed to teenage sexual expression) is wrong.

Finally, other critical areas where the federal government can make a difference in reducing the number of teenage pregnancies and births include continued support for Title X; elimination of the "Gag Rule" and the Hyde Amendment restricting women's access to abortion counseling and abortion, respectively; increased support for school-based and school-linked health centers which provide reproductive health services; and removal of restrictions on condom availability.

The guiding goal of welfare reform must be to help people become self-sufficient and to achieve sustained financial independence for their families. This means making sure that young people acquire marketable job skills and ensuring that there are jobs that provide not just a "survival wage" but a living wage. It also means that young people must be given adequate support to make it to the job market with their health intact and without premature responsibilities, such as children of their own.

Those of us who work with and on behalf of youth urge policymakers to abandon the flashy and empty political rhetoric and pay attention to the real reasons adolescents become pregnant and give birth. Once this country makes a true commitment to invest in human capital, starting with our youth, the results will be born out positively in the welfare system and our other safety net services.

## ENDNOTES

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**TESTIMONY OF DEBORAH LEWIS  
AMERICAN CIVIL LIBERTIES UNION**

**Mr. Chairman and Members of the Subcommittee:**

On behalf of the American Civil Liberties Union, I thank you for the opportunity to submit written testimony to the subcommittee on the civil liberties implications of many of the welfare reform proposals currently under discussion. The ACLU is a non-profit organization of over 275,000 members dedicated to the preservation of individual liberties and constitutional rights. The ACLU's mission is to defend the civil liberties of everyone within the United States, including people living in poverty. Often it is the poorest Americans who are most vulnerable to restrictions of their constitutional rights.

The Personal Responsibility Act, H.R.4, was introduced at the beginning of the 104th Congress and became the vehicle for welfare reform debate. That debate and discussion has been extremely wide-ranging. As a result of the range of ideas under discussion, it is possible that the welfare reform bill that is ultimately acted upon by this committee and by the House of Representatives as a whole will look quite different from the Personal Responsibility Act. This testimony will respond to some of the most serious civil liberties concerns raised both in H.R.4 and by the welfare reform debate in general.

Although the constitution does not guarantee the right to receive welfare, the ACLU believes that some of the proposals currently under discussion implicate constitutional rights. Once the government decides to give welfare benefits -- as the United States did during the New Deal -- there are constitutional limits to the conditions that it can attach to these benefits.<sup>1</sup>

**The Child Exclusion.** The Personal Responsibility Act contains three provisions that would exclude children from receiving Aid for Families with Dependent Children (AFDC), the primary welfare benefit for poor children, because of the circumstances of their birth:

- Children born to families already receiving AFDC would be denied benefits;
- Children born to unmarried teen parents would be denied benefits;
- Children whose paternity has not been officially established by the state, even if the mother cooperates fully, would be denied benefits.

The first of these child exclusions, the denial of benefits to

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<sup>1</sup> See, Kathleen M. Sullivan, Unconstitutional Conditions, 102 Harv. L. Rev. 1413 (1989).

children born to families receiving welfare -- sometimes referred to as the family cap -- was proposed as a state option in the Clinton administration's welfare reform proposal in the 103rd Congress.

All three of these provisions violate the longstanding constitutional principle that children should not be punished for the decisions of their parents, decisions the children cannot control. In 1982, in the case of Plyler v. Doe, the United States Supreme Court struck down a Texas law that prevented the children of undocumented aliens from attending school on the grounds that the law impermissibly punished children for the conduct of their parents in violation of the Equal Protection Clause of the constitution.<sup>2</sup> All three of these child exclusion provisions have this impermissible effect.

1. Punishing poor children for being born into families receiving AFDC. Currently, a family's AFDC benefits level is calculated on a per capita basis, so that payments increase with the birth of an additional child -- just as a middle class family's dependent tax deduction increases with the birth of an additional child. This child exclusion would eliminate this incremental increase in benefits if a child is born while his or her parent is receiving benefits, thereby depriving that child of the welfare safety net and depriving the entire family of assistance needed to pay the rent and other household expenses.

This provision is based on the stereotype of the large and ever growing welfare family. In fact, most parents receiving welfare have only one or two children.<sup>3</sup> The average size of a family receiving welfare is slightly smaller than the average size of American families in general.<sup>4</sup>

The other stereotype fueling the idea that further impoverishing families will decrease their size, is the idea that welfare provides a comfortable life. In fact, the combined benefits available to families from AFDC and food stamps are below the poverty line in all 50 states and the District of Columbia. In 42 states, the benefits are below 75% of the poverty line, less than \$9240 a year for a family of three.<sup>5</sup>

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<sup>2</sup> 457 U.S. 202, 220.

<sup>3</sup> Congressional Budget Office, Sources of Support for Adolescent Mother, 44 (1990).

<sup>4</sup> Mimi Abramowitz and Fred Newton, Challenging the Myths of Welfare Reform, BCR Reports.

<sup>5</sup> Center on Social Welfare Policy and Law, Living at the Bottom: An Analysis of AFDC Benefit Levels, June 1994.



It is important to keep these benefit levels in mind in analyzing the constitutional implications of the deprivation of even a small portion of a family's monthly AFDC payment. For many families, the level of payments forms the fragile line between subsistence on the one side and homelessness and family deterioration on the other.

The average incremental increase in benefits for children is \$57, or \$684 a year. It is this small increase that would be eliminated through the child exclusion. The United States Department of Agriculture has estimated that a family that has an income of less than \$32,000 a year spends approximately \$4310 a year for a child under 2 years old.<sup>6</sup> Catholic Charities has estimated that a bare-bones monthly budget for one infant born to family receiving AFDC would require expenses of approximately \$117.50 a month.<sup>7</sup> Under any analysis, a new child costs more than the monthly AFDC benefit of approximately \$57.

We believe that this provision violates two constitutional principles. First, the policy violates the right to privacy in particular women's reproductive rights, in the same manner that anti-abortion laws and restrictions on birth control violate these rights. The purported goal of the child exclusion is to coerce women receiving welfare into not having children through the threat of eliminating critical subsistence benefits.

The ACLU has long believed that the decision to have children or not to have children is an intimate, purely personal decision that belongs to the individual woman. The constitutional right to privacy with respect to reproductive decisions was announced by the Supreme Court in 1965 in Griswold v. Connecticut when the Supreme Court held that the government cannot prohibit married couples from practicing birth control.<sup>8</sup> It was reaffirmed in 1973 in Roe v. Wade, when the Supreme Court held that women have the right to terminate their pregnancies.<sup>9</sup> Just as the government cannot prohibit a woman from practicing birth control or having an abortion, the government cannot coerce these practices through the threat of termination of subsistence benefits. The child exclusion essentially creates a means test for the full exercise of reproductive freedom.

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<sup>6</sup> Expenditures on a Child by Families, 1993, Technical Report, Family Economics Research Group, Agricultural Research Service, United States Department of Agriculture, Table G.

<sup>7</sup> "How the Proposed 'Family Cap' Would Affect Children in Median State," Catholic Charities USA, 1995.

<sup>8</sup> 381 U.S. 479.

<sup>9</sup> 410 U.S. 113.

The second constitutional principle violated by this provision is the guarantee of equal protection. If the government is going to deny benefits to one group of people while allowing benefits to others who are similarly situated, the Equal Protection Clause of the constitution requires the government to have either a rational basis or a compelling reason for distinguishing between two groups.

The child exclusion makes several distinctions that violate this principle. The policy treats children born while their parents are receiving welfare differently than children born prior to the time their parents receive welfare. In addition, the provision treats children born while their parents are receiving benefits differently than taxpayers who receive a subsidy from the government in the form of the dependent's tax deduction. In most states this tax deduction results in greater "payment" than the amount of money eliminated through the child exclusion. Essentially, the federal and state government pay both families on welfare and families paying taxes an amount of money based upon the number of children in the family. The child exclusion targets America's most vulnerable children to be the only ones excluded from this government policy.

The Supreme Court has articulated different levels of scrutiny for evaluating equal protection claims. We believe that the child exclusion should be evaluated through the highest, strict scrutiny, standard because it implicates the constitutional right to privacy. However, the possible rationale for implementing a child exclusion, limiting the birthrates of families receiving welfare, do not meet even the lower, rational basis, standard of scrutiny. Restricting the right of poor women to procreate is not a legitimate government function.

2. Punishing children for the marital decisions of their parents. The Personal Responsibility Act would deny benefits to all children born to unmarried parents age 18 or younger. States would have the option of increasing the age to 21. The exclusion applies for the entire childhood of the child unless the parent marries the biological parent of the child or someone who adopts the child.

The exclusion would remain long after the parent becomes an adult. Thus, the 10 year old child of a 27 year old woman who had always worked to support her family would be denied benefits if her mother lost her job and had to apply for AFDC for the first time. This is true even if the mother is or has been married, as long as she doesn't marry the child's father. In this manner, the bill would permanently stigmatize and punish children born out-of-wedlock.

This age-old stigmatizing of children because of the marital decisions of their parents violates the constitutional guarantee of equal protection. Over 20 years ago, the United States Supreme Court struck down the legal category of illegitimate children. In

1972 the Supreme Court ruled that the out-of-wedlock children of a man killed in a work related accident could recover workmen's compensation money for his death in spite of the fact that Louisiana treated "illegitimate" children differently than "legitimate" children under the workmen's compensation law.<sup>10</sup> The law was part of a structure of statutes designed to deter out of-wedlock births, much like the child exclusion of today. The Court concluded that:

Obviously, no child is responsible for his birth and penalizing the illegitimate child is an ineffectual -- as well as an unjust -- way of deterring the parent. Courts are powerless to prevent the social opprobrium suffered by these hapless children, but the Equal Protection Clause does enable us to strike down discriminatory laws relating to status of birth where -- as in this case -- the classification is justified by no legitimate state interest, compelling or otherwise.<sup>11</sup>

This case followed a 1968 case in which the Court struck down the provisions of Louisiana's wrongful death law that excluded out-of-wedlock children from the group of children entitled to recover for a parent's death, saying that "[t]he rights asserted here involve the intimate, familial relationship between a child and his mother . . . Why should the illegitimate child . . . be denied correlative rights which other citizens enjoy?"<sup>12</sup>

Essentially, the Supreme Court said that all children are legitimate in the eyes of the law. We urge Congress to be mindful of these Supreme Court cases in evaluating the effect of the child exclusion.

3. Punishing children because the state has not officially established their paternity. The Personal Responsibility Act would exclude children from receiving benefits if the state has not officially established their paternity. This provision would apply even if the mother cooperates fully with the state. Every state has a backlog of paternity establishment cases, often a considerable backlog, because of resources needed to complete the task and finalize the paperwork. During the period of time that the state is processing the paperwork -- even if it takes years -- there is nothing a mother can do to get subsistence benefits for her children.

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<sup>10</sup> Weber v. Aetna Casualty and Surety Co., 406 U.S. 164.

<sup>11</sup> Id.

<sup>12</sup> Levy v. Louisiana, 391 U.S. 68.

This provision would apply even if the reason paternity has not been established is that the father is obstructing the process. In this manner, the Personal Responsibility Act creates additional hardships for the more responsible parent.

If this provision were in effect today, 2.8 million children currently receiving AFDC would be excluded from receiving this necessary support.<sup>13</sup>

Like the other child exclusion provisions, this provision violates the constitutional prohibition on punishing children for the conduct of their parents. The paternity establishment provision is particularly cruel because it would also punish children for the conduct of the state bureaucracy.

The provision also violates the Equal Protection Clause for treating children whose paternity has not been officially established differently than children whose paternity has been established without a justifiable -- rational or compelling -- reason.<sup>14</sup>

Current law has strong incentives for women to cooperate in the establishment of the paternity of their children. Increasing the hardship on families who do cooperate does nothing to enhance these incentives.

Some proponents of this and the other child exclusion provisions may support it as a way to save taxpayers' money. In looking at the costs and savings involved in implementing the child exclusion, it is important to consider the long-term effects of limiting subsistence benefits, and particularly the effects of malnourishment on very young children. Any short term savings created by eliminating children from the welfare safety net are likely to be offset by far larger long term expenses for special education, health care, homelessness shelters and the criminal justice system as a result of limiting support for the very young.

Putting children in institutional settings, orphanages, is more expensive than giving them the security they need to keep

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<sup>13</sup> Dan Bloom, Sharon Parrott, Isaac Shapiro, and David Super, The Personal Responsibility Act: An Analysis, Center on Budget and Policy Priorities, November, 1994.

<sup>14</sup> Once again, we believe that the appropriate level of equal protection scrutiny for this provision is the highest, strict scrutiny because it implicates the right to privacy. However, we also believe that this provision would fail to satisfy even the lower, rational basis, level of scrutiny because it is not a legitimate function of government to penalize children because the state has not established paternity.

families intact. As civil libertarians concerned with government overreaching, we do not believe that the government can or should be raising children. Welfare reform should be designed to keep families together, not to tear them apart.

Teen parent residency requirement. Many welfare reform proposals, including the Personal Responsibility Act and the Clinton administration proposal would require teen parents with dependent children eligible for AFDC to live with their parent or legal guardian. There are exceptions for teenagers who have a parent or guardian, who are married, who have lived apart from their parents for at least a year or if the health or safety of the teenager would be endangered by the requirement. Current law allows states to impose this requirement on parents who are 18 years old and younger. The PRA would raise the age to 19 and require state to implement the provision.

This provision burdens those teenagers who are most at risk. Many teenage mothers do choose to live with their parents and are welcomed in their parents' homes. Those who do not live with their parents generally have a rational reason for that choice. A disproportionate number of teen mothers have been abused by family members. Of women who had become pregnant during adolescence interviewed for a study done by the U.S. Department of Health and Human Services, 66% reported that they had been sexually abused, with 54% of those who reported being molested saying that had been victimized by a family member.<sup>15</sup>

Requiring teen parents to live with an adult may be a back door method of excluding teen parents from receiving benefits altogether. In order to qualify for benefits, an applicant must have resources and an income below a specified amount. If a state counts the teenagers' parents' income in assessing eligibility, even if the money is not actually available to the child, that teenager may not qualify for much needed benefits. This process of assuming that income is available to the welfare applicant even when it is not is known as income deeming or income assumption. Deeming practices raise due process concerns because they arbitrarily deny benefits to impoverished individuals in need of assistance.

The Gag Rule. The original "gag rule," during the Reagan administration, barred federally funded family planning programs from providing any abortion referrals or counseling. The Personal Responsibility Act contains a gag rule that would designate certain federal block grants to assist teenage mothers, but prohibit the

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<sup>15</sup> Debra Boyer and David Fine, Victimization and Other Risk Factors for Child Maltreatment Among School Age Parents: A longitudinal Study, National Center on Child Abuse and Neglect, Administration for Children and Families, No. 90-CA-1375.

use of these funds for abortion counseling. This "gag rule" would mean that staff in these programs would not be allowed to discuss abortion with a client, even if the client asks for information. Such government-imposed censorship is antithetical to the guarantee of free speech in the First Amendment of the United States Constitution.

This proposal to revive the gag rule would do a grave disservice to women and their families. The Constitution affords women the right to decide whether to carry a pregnancy to term or to end it. When determining whether or not to continue a pregnancy, women must weigh a host of medical, familial, religious, economic and social considerations. To make the optimal choice for their health and circumstances, they need complete information about all the medical options available to them. The government should not dictate or influence women's reproductive choices by censoring relevant information.

Scapegoating Immigrants. The Personal Responsibility Act contains a provision that would exclude noncitizens from an extraordinary range of essential government services, regardless of their immigration status. All noncitizens would be ineligible for family planning, child welfare, foster care, nutrition programs, immunizations, lead poisoning screening, Legal Services, emergency food and shelter and many more programs. The only exceptions would be refugees for their first six years in the United States and people over the age of 75 who have been in the country for at least 5 years.

The implications of such a heartless exclusion are startling. Immigrant children would be subject to life-threatening abuse without any protection. Parentless children would have no home. Homeless families could not even go to shelters -- they would literally have to sleep on the streets. Hungry children would have to watch their citizen classmates eat their school lunches without any nourishment. Families would starve.

Private charities and religious organizations cannot provide for those excluded by these and other exclusions in the PRA. As the Reverend Fred Kammer, President of Catholic Charities, recently told a reporter, "Severe cuts would mean that we are going to be inundated with more people needing survival assistance from us. Where will the money come from to make it possible to save those people from starvation or illness or death?"

Targeting immigrants as a class for exclusion serves no positive public policy goal. Since most of the affected immigrants come to the United States in full compliance with, and often with strong encouragement of, the law, excluding them will not curb illegal immigration. The only immigrant group that receives

benefits at a higher rate than citizens is refugees.<sup>16</sup> Refugees however, are exempted from the effects of this exclusion for their first six years in the country. There is no rational reason for targeting non-refugee immigrants, as the PRA does, because they receive welfare coverage at a lower rate than citizens.<sup>17</sup>

In 1976 the Supreme Court rules in Mathews v. Diaz that the federal government could deny benefits for lawful residents for their first five years in the United States because of Congress' role in controlling the borders.<sup>18</sup> The ACLU believes that this practice of excluding immigrants violates their constitutional right to equal protection. Congress has an independent obligation to interpret the constitution and the authority to change this discriminatory practice.

Immigrants pay taxes like everyone else. They also receive welfare benefits for the same reasons that everyone else receives benefits: loss of jobs, illness, disability, divorce or other changes in life circumstances. The only reason to target immigrants for exclusion is that they are vulnerable, as they have been throughout our history. The ACLU finds this an unacceptable basis for exclusion.

**Conclusion.** The ACLU opposes any child exclusion proposals, teen residency requirements, exclusion of immigrants or return to the gag rule. We will closely monitor the welfare reform debate as it unfolds in Congress. We would be glad to work with this subcommittee and other members of Congress further to articulate meaningful welfare reform within the bounds of the constitution.

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<sup>16</sup> Michael Fix and Jeffrey S. Passel, The Urban Institute, Immigrants and Welfare: New Myths, New Realities, Testimony Before the U.S. House of Representatives Committee on Ways and Means, Subcommittee on Human Resources, (November 15, 1993).

<sup>17</sup> Id.

<sup>18</sup> 426 U.S. 67.

**TESTIMONY OF BILL HARRINGTON  
AMERICAN FATHERS COALITION**

MY NAME IS BILL HARRINGTON AND I AM THE NATIONAL DIRECTOR OF THE AMERICAN FATHERS COALITION - A NATIONAL UMBRELLA ORGANIZATION FOR 280 FATHERS ORGANIZATIONS FROM ALL OVER AMERICA. WE ARE THE POLITICAL VOICE FOR RESPONSIBLE FATHERS WHO WANT DAY TO DAY PARENTAL INVOLVEMENT WITH THEIR CHILDREN.

THE AMERICAN FATHERS COALITION HAS BEEN INVOLVED WITH THIS CURRENT WAVE OF WELFARE REFORM FROM THE BEGINNING OF PRESIDENT CLINTON'S ANNOUNCEMENT NEARLY TWO YEARS AGO. WE ARE PLEASED TO SEE PROGRESS ON THESE CRITICAL ISSUES, AND WE ARE PLEASED TO HAVE THE OPPORTUNITY TO HAVE A STATEMENT FOR THE RECORD IN 1995.

WELFARE REFORM CANNOT SUCCEED WITHOUT FATHERS

IT IS OUR GENERAL POSITION THAT WELFARE REFORM CANNOT SUCCEED WITHOUT INCLUSION OF POSITIVE FATHER PARENTING ISSUES. FATHERS ARE 50% OF THE AFDC PARENTS, AND WE NEED TO SEE FATHERS BECOMING MORE INVOLVED WITH THEIR CHILDREN, NOT LESS. OUR SPECIFIC 7-POINT WELFARE REFORM PROPOSAL IS ATTACHED.

SUPPORT FOR H.R. 4

WE SEE GREAT IMPROVEMENTS IN H.R. 4 IN TERMS OF MANDATORY PATERNITY ESTABLISHMENT, NEW POLICIES THAT GIVES NEVER-MARRIED FATHERS SOME BELIEF THAT 14TH AMENDMENT DUE PROCESS RIGHTS FOR CHILDREN, TO KNOW AND TO BE PARENTED BY THEIR FATHERS, WILL BE ENHANCED UNDER H.R. 4, A BIG CONTRAST TO THE EXISTING SYSTEM. WE FAVOR A SYSTEM WHERE THE STATE INTERVENES ON BEHALF OF THE CHILD AND BOTH PARENTS ARE NAMED AS DEFENDANTS IN THE PETITION TO DETERMINE PARENTAGE UNTIL A FORMAL PROCEEDING, EITHER ADMINISTRATIVELY OR JUDICIALLY IS HELD WITH BOTH PARENTS PRESENT, WHERE TEMPORARY CUSTODY IS FORMALLY ESTABLISHED. WE NEED TO END AUTOMATIC CUSTODY WITH MOTHERS TO REALLY HELP CHILDREN.

FOR A MORE DETAILED DISCUSSION OF OUR WELFARE REFORM PROPOSALS, AND OUR THINKING BEHIND THEM, PLEASE REVIEW OUR AUGUST 16TH, 1994, STATEMENT FOR THE RECORD, AND OUR JULY 27TH TESTIMONY ON PATERNITY ISSUES.

FATHERS ARE 50% OF THE AFDC PARENTS AS WE HAVE SAID, AND WITHOUT PROPOSALS THAT TREAT FATHERS WITH DIGNITY, AND WITH UNDERSTANDING, MORE CHILDREN WILL END UP WITHOUT FATHERS AND OUR SOCIAL SERVICES SYSTEM IS LEFT TO PICK UP THE COSTS.



\$67,000,000,000 SAVINGS FROM FATHER PARENTING

THE GREATEST BENEFIT FOR TAXPAYERS IS TO HAVE FATHERS, WITH JOBS ABOVE THE POVERTY LEVEL, CARING FOR THEIR CHILDREN. FATHERS WITH JOBS, DIRECTLY RAISING AND PARENTING THEIR CHILDREN COST NOTHING FOR WELFARE. AGAIN, SEE OUR AUGUST 16TH STATEMENT.

CAMPAIGN AGAINST POVERTY NEEDED.  
NOT CONTINUING DISCRIMINATION AGAINST FATHERS

WHAT IS NEEDED IN AMERICA IS A "NEW" POSITIVE CAMPAIGN AGAINST POVERTY. FATHERS ARE THE SINGLE GREATEST ANSWER TO CHILD POVERTY AND FATHERLESS CHILDREN. POLICIES, PROCEDURES, AND ANTI-FATHER GENDER BIAS IN OUR EXISTING SYSTEM ALLOWS MOTHERS A POSITIVE CHOICE TO PLACE CHILDREN IN POVERTY, AND THE FATHER GETS ALL THE BLAME. OUR EXISTING SYSTEM NEEDS TO BE RADICALLY CHANGED, AND H.R. 4, IS A BIG STEP IN THE RIGHT DIRECTION.

POSITIVE FATHER PARENTING, FATHER CUSTODY & FATHERS AS BABYSITTERS OF FIRST RESORT. OFFERS CONGRESS EXCITING NEW REALISTIC POLICIES THAT CAN ACTUALLY SERVE TO REDUCE AFDC CASELOADS. WE BELIEVE AMERICA SUPPORTS FATHER INVOLVEMENT. WE SEE FATHER PARENTING ISSUES AS A FIRST OPTION, AHEAD OF FOSTER CARE, ADOPTION AND ORPHANAGES. WHILE THE CRISIS FACING MILLIONS OF CHILDREN IS REAL, AND PROPOSALS FOR INCREASED FOSTER CARE, ADOPTION AND ORPHANAGES ARE NECESSARY OPTIONS, WE BELIEVE FATHERS SHOULD BE CONSIDERED AS A FIRST OPTION.

WELFARE REFORM DID NOT SUCCEED IN 1984 & 1988 BECAUSE TOO MANY OF THE PROVISIONS WERE ANTI-FATHER IN NATURE. WE FULLY UNDERSTAND THERE WERE GOOD MOTIVES AT WORK, BUT UNINTENDED CONSEQUENCES HAVE WORKED TO CREATE MORE FATHERLESS CHILDREN, NOT LESS. OUR FEDERAL GOVERNMENT HAS NEVER RESEARCHED THE DYNAMICS OF THE ABSENT FATHER SYNDROME, AND IT IS OUR OPINION THAT UNTIL WE DO SO, AND WITHOUT INCLUSION OF POSITIVE FATHER PARENTING POLICIES, WELFARE REFORM IS DOOMED TO LIMITED SUCCESS OR OUTRIGHT FAILURE.

OUR GENUINE GOAL IS TO BE A POSITIVE PART OF THE CURRENT 1995 POLITICAL PROCESS FOR REALISTIC WELFARE REFORM. WE SEE GREAT OPPORTUNITIES IN H.R. 4, FOR A BEGINNING OF A NEW DIRECTION.

WE THANK THE SUBCOMMITTEE ON HUMAN RESOURCES FOR THIS OPPORTUNITY TO TESTIFY AND CONTRIBUTE TO RADICAL REFORM OF OUR EXISTING WELFARE SYSTEM. FATHERS ARE THE "MISSING" FACTOR IN WELFARE REFORM AND WE HOPE THIS WILL END IN 1995.

## Welfare Reform — No Room for Daddy?

AMERICAN FATHERS COALITION - 2000 PENNSYLVANIA AVENUE, SUITE 140 - WASHINGTON, DC 20006  
(703) 255-1428 / (202) 587-5714 Telephone: (703) 255-1454 Facsimile: afc@cap.gov.edu Internet

Welfare reform proposals being offered by Congress and the White House contain an unfortunate omission -- they fail to give children a father. Welfare reform cannot be accomplished unless reformers are willing to put fathers back in the home.

### 7 STEPS TO WELFARE REFORM AND HEALTHY CHILDREN

The AFC plan gives children a father, and makes mothers and fathers both financially responsible for the children they bear. Under the present system and under all "reform" proposals, mothers collect benefits for having children out of wedlock and bear no responsibility for repaying those benefits. Until the person who actually receives the benefits is held responsible for repaying the cost of those benefits, welfare will continue to be an incentive for having children out of wedlock. And, until children are allowed to have fathers, they will continue to be at high risk for school drop-out, delinquent behavior, and unwed, teenage parenthood.

AFC makes the following proposals:

- 1) **Custody:** The father should be the placement of first choice if the mother applies for AFDC. This simple change in procedure will immediately cut the AFDC rolls in half, save government 100s of millions of dollars, and provide children with solid, loving homes.
- 2) **Paternity establishment:** Establish a legal link between mother, father, and child at the time that paternity is established. Forms used to establish paternity should also lay the groundwork for a custody / visitation arrangement.
- 3) **Financial Child Support:** Both parties should be held responsible for supporting the child according to their ability to earn. Financial child support obligations should be assigned to both parties based on their ability to earn. This means that mothers who now receive AFDC-related benefits will bear some of the responsibility of repaying government for those benefits, making the AFDC / welfare lifestyle less desirable.
- 4) **Accountability:** Recipients of AFDC benefits should face some form of accountability for how those benefits are spent. AFDC benefits should accrue to the benefit of the children, as should financial child support payments. Some form of accountability is required for all other government third-party payments.
- 5) **Incentives for payment of financial child support:** States should be required to implement custody and visitation presumptions that are proven methods of encouraging voluntary compliance with financial child support laws. Mothers report in census data that fathers who have joint custody pay child support at rates exceeding 90%. Fathers who have "visitation" pay at rates approaching 80%.
- 6) **Inability to pay financial child support:** Due to unemployment or underemployment, many obligors fall behind in financial child support payments. Giving those obligors preference at employment agencies enhances the possibility that they will resume support payments. A system of prioritizing should also include any person who is the sole support of a family.
- 7) **Financial child support — poorly trained and uneducated parents:** Job training and skills enhancement programs should be provided to parents who are unable to meet their financial child support obligations. These parents should be required to reimburse government for the cost of their training. The federally funded Parents Fair Share program has been very successful — 90% compliance in AFDC cases.



## Welfare Reform — No Room for Daddy?

AMERICAN FATHERS COALITION - 2800 PENNSYLVANIA AVENUE, SUITE 148 - WASHINGTON, DC 20006  
(202) FATHERS - Telephone: (703) 286-2454 Facsimile: nfc@comp.pew.edu Internet

Welfare reform proposals being offered by Congress and the White House contain an unfortunate omission -- they fail to give children a father. Welfare reform cannot be accomplished unless reformers are willing to put fathers back in the home.

Children growing up in a welfare system predicated on absent or driven-away fathers are doomed not just to a life of poverty but to a life filled with early pregnancy, school dropout, and delinquent behavior. Children who grow up without a father present, even when adjustments are made for income, are 375% more likely to need professional assistance for emotional problems, twice as likely to repeat a grade of school, and more likely to suffer a wide variety of other disorders including anxiety, peer conflict, and hyperactivity.<sup>1</sup> While television and the movies gather headlines as the motivation behind teen violence, school administrators blame "family breakup" for violence in the schools.<sup>2</sup>

The presence of fathers is necessary for children to develop the cognitive, moral, and disciplinary skills needed to succeed in life. Psychologists have determined that children benefit from what Henry Biller, Ph.D. describes as the "Two Parent Advantage." Dr. Biller explains the need for father presence:

*Much more attention must be directed at positive paternal involvement in order to provide the best family involvement for the physical, cognitive, emotional, social and moral development of children. Important findings have underscored the significance of 'The Father Factor' through pregnancy, infancy, childhood, adolescence, and adulthood. The father's active involvement helps his son and daughter develop a secure body image, self-esteem, moral standards and intellectual and social competence. The quality of the early father-child relationship is linked to the son's and daughter's later adjustment in adolescence and adulthood.<sup>3</sup>*

As fathers have been excluded from their children's lives, with the marriage rate falling and the divorce rate rising, SAT scores have fallen to all-time lows while teen births and the crime rate have exploded. The divorce rate, teen birth rate, and the crime rate each doubled between 1975 and 1990. SAT scores fell in 1975 and then dipped below 900 for the first time in 1980. They have remained at that low level.<sup>4</sup> Children whose parents divorce or have never married are at high risk. Children who have significant contact with both parents, regardless of marital status, appear to be at much lower risk.

<sup>1</sup> National Center for Health Statistics, June 1991. Study of 17,100 children in various family structures. Children living with a mother and step-father fared worse on most indicators.

<sup>2</sup> Survey by the National School Boards Association as reported in the *Washington Times*, January 1994. 77% of school administrators blame "family breakup" for violence in the schools.

<sup>3</sup> *The Father Factor and the Two Parent Advantage: Reducing the Paternal Deficit*, pg. 1. Henry Biller, Ph.D., Psychology Department, University of Rhode Island, April 15, 1994.

<sup>4</sup> "Index of Leading Indicators," *Washington Times*, March 16, 1994.

We have come to know two very important things about family / welfare policy:

- a) Until the person who receives the benefits bears some responsibility for reimbursing the government for those benefits, the incentive for unwed pregnancy will continue, and
- b) Until government policy allows fathers to become involved with their children, those children will continue to be at high risk for criminal behavior, teen pregnancy, and numerous other social abnormalities.<sup>5</sup>

The American Fathers Coalition (AFC) has a bold new plan for welfare reform, a plan rooted in solid family research and responsive to the needs of the children born to a fatherless welfare system, a plan that will begin by cutting the welfare rolls in half. The AFC plan promises to break the cycle of poverty while filling the missing link between a normal childhood with a promising future and a dead-end childhood that promises only poverty and prison. The AFC plan gives children a father!

### 7 Steps to Welfare Reform and Healthy Children

The AFC plan gives children a father, and makes mothers and fathers both financially responsible for the children they bear. Under the present system and under all "reform" proposals, mothers collect benefits for having children out of wedlock and bear no responsibility for repaying those benefits. Put simply, mommy receives the money (and benefits), daddy is required to pay it back. Until the person who actually receives the benefits is held responsible for repaying the cost of those benefits, welfare will continue to be an incentive for having children out of wedlock. And, until children are allowed to have fathers, they will continue to be at high risk for school drop-out, delinquent behavior, and unwed, teenage parenthood.

Those points are important enough to repeat:

Until the person who actually receives the benefits is held responsible for repaying those benefits, welfare will continue to be an incentive for having children out of wedlock. And, until children are allowed to have fathers, they will continue to be at high risk for school drop-out, delinquent behavior, and unwed, teenage parenthood.

The AFC makes the following proposals:

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<sup>5</sup> *Facts at a Glance*, pg. 1. Child Trends, Inc., January 1994. "Teenage mothers are more likely to have daughters who have babies as teens themselves." Analysis of the data indicates that the rate is twice that of non-teen mothers.

1) Custody: The father should be the placement of first choice if the mother applies for AFDC. This simple change in procedure will immediately cut the AFDC rolls in half, save government 100s of millions of dollars, and provide children with solid, loving homes.<sup>6</sup>

Placement with the father allows the mother to finish school or to be placed in a job training program until such time as she can adequately support herself. The child should be placed in a welfare situation with the mother only if the father declines custody or proves unfit. Fathers make unusually good parents and most will gladly accept the responsibility of parenthood.<sup>7</sup>

2) Paternity establishment: Establish a legal link between mother, father, and child at the time that paternity is established.

80% of unwed fathers visit their newborn children at the hospital.<sup>8</sup> Within a few short months, these fathers will have been driven away from their children, uninvited by the child's mother or threatened by her family or new boy friend. This first precious link between father and child must be encouraged and allowed to bloom. Forms used to establish paternity should also lay the groundwork for a custody / visitation arrangement.

The White House and the Office of Child Support Enforcement (OCSE) have received samples of a revised form that would establish a clear custody / visitation intent, thereby giving father and child a solid link. This form should be incorporated into the paternity establishment procedure.

3) Financial Child Support: Both parties should be held responsible for supporting the child according to their ability to earn.

Financial child support obligations should be assigned to both parties based on their ability to earn. This means that mothers who now receive AFDC-related benefits will bear some of the responsibility of repaying government for those benefits, making the AFDC / welfare lifestyle less desirable. Simply threatening to sever payments after a predetermined period of time will have little or no effect on the rate of unwed pregnancies. Such plans provide for job training or educational benefits, sending the message "have a child and gain a job."

Under the present system, the mother who fails to establish a live-in relationship with the child's father receives food stamps, subsidized housing, medical care, and cash — and she has no

<sup>6</sup> Estimate based on one-half of fathers obtaining custody.

<sup>7</sup> Interviews with family counselors specializing in divorce issues indicate that unwed fathers consider maintaining contact with their children as their first concern and most would chose to have custody of their children.

<sup>8</sup> David Ross, Director, Office of Child Support Enforcement. Comments at the 1994 Children's Rights Council Conference. April 15, 1994.

responsibility to repay the money, the government looks solely to the father for repayment. Subsequently, unwed pregnancy and childbirth have become a "job" for too many women.<sup>9</sup> In 1960, only 15% of teen births occurred outside of marriage, in 1991, 69% occurred outside of marriage.<sup>10</sup> More than 25% of all births are to unwed mothers.<sup>11</sup> The failure rate among users of contraception is approximately twice as high among "poor" women as among "non-poor" women.<sup>12</sup>

Teenage pregnancy rates reflect this trend. Data compiled by Child Trends, Inc. indicate that 18% of teen pregnancies resulted from a decision by the mother to become pregnant, 40% resulted from the mothers' ambivalence toward pregnancy, and 42% of teen pregnancies were terminated (abortion).<sup>13 14</sup>

Requiring that the mother accept responsibility for repayment of government benefits will discourage out-of-wedlock births and welfare dependency.

4) Accountability: Recipients of AFDC benefits should face some form of accountability for how those benefits are spent.

AFDC benefits should accrue to the benefit of the children, as should financial child support payments. Some form of accountability is required for all other government third-party payments (social security payments for third parties, foster care payments, etc.). Complaints are often heard of mothers using AFDC payments to purchase crack or alcohol while her relatives care for the children.

Accountability might be accomplished by filing a simple form at year-end outlining how the monies were spent, or receipts might be retained for a specified period as is required of business expenses by the IRS.

5) Incentives for payment of financial child support: States should be required to implement custody and visitation presumptions that are proven methods of encouraging voluntary compliance with financial child support laws.

<sup>9</sup> *Facts at a Glance*, pg. 2. Child Trends, Inc., January 1994. "Among never-married mothers aged 18-44 in 1992 ... 43% were neither working nor looking for work."

<sup>10</sup> "Trends in Teenage Fertility", pg. 13. Child Trends, Inc., May 4, 1994.

<sup>11</sup> "Quiet Crisis Affects Millions of Our Youngest Children." Carnegie Corporation. April 12, 1994.

<sup>12</sup> "Trends in Teenage Fertility", pg. 26. Child Trends, Inc., May 4, 1994.

<sup>13</sup> *Facts at a Glance*, pg. 2. Child Trends, Inc., January 1994. "Ambivalent teens were just as likely to have a baby during the next two years as teens who unequivocally wanted a child."

<sup>14</sup> "Trends in Childrearing and Implications for Reform". State-Federal Assembly, National Conference on State Legislatures. Presentation by Child Trends, Inc., May 4, 1994.

Mothers report in census data that fathers who have joint custody pay child support at rates exceeding 90%. Fathers who have "visitation" orders pay at rates approaching 80%.<sup>15</sup> States operating Federal Access Grants have found a significant increase in voluntary compliance with financial child support orders when "visitation" is awarded and enforced.<sup>16</sup>

States should be encouraged to award joint custody and provide strong enforcement of visitation in AFDC cases.

6) Inability to pay financial child support: Due to unemployment or underemployment, many obligors fall behind in financial child support payments.

Census data, based on mother self-reporting, indicates that 66% of obligors who have been ordered to pay support and who fail to do so simply cannot pay.<sup>17</sup> Giving those obligors preference at employment agencies enhances the possibility that they will resume support payments. A system or prioritizing should also include any person who is the sole support of a family. Language might read as follows:

The (state employment) Commission shall assign priorities based on the needs of the family of the individual seeking employment. Individuals with children to support in families where no one else is employed full time and individuals who have a child support obligation shall be of first priority. The purpose of the priority system is to provide jobs for families with children.

7) Financial child support -- poorly trained and uneducated parents: Job training and skills enhancement programs should be provided to parents who are unable to meet their financial child support obligations. These parents should be required to reimburse government for the cost of their training.

A study by the Institute for Research on Poverty at the University of Wisconsin-Madison found that "dead-beat dads" were really impoverished dads. In their comprehensive study, they found that "... 52% of the nonpaying fathers had incomes of less than \$6,155 per year ...".<sup>18</sup>

The Parents Fair Share Program, a federally funded pilot program operated in 9 states, has achieved 90% compliance with financial child support orders by providing education and retraining for unemployed and underemployed obligors whose children are receiving AFDC benefits. Participants are also enrolled in peer support groups to assist them with the

<sup>15</sup> *Child Support and Alimony*, pg. 7. Bureau of the Census, Series P-60, No. 173. September, 1991. "A higher percentage of fathers with joint custody pay the [financial] child support due (90.2 percent) than fathers who have visitation privileges (79.1 percent) and those without visitation or joint custody provisions (44.5 percent)."

<sup>16</sup> See February 4, 1994 letter: Dick Woods (Director of the Iowa Access Grant) to Congressman William D. Ford.

<sup>17</sup> GAO/HRD-92-39FS. *Mothers Report Receiving ...*, pp 19-20. January, 1992.

<sup>18</sup> *Dallas Morning News*, pg. 5. April 26, 1993.

development of parenting skills while assuring that they remain involved with their children. The cost is \$1,400 per participant.

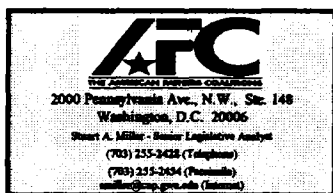
The *Washington Post* reported, "The two-year project demolished some stereotypes attached to parents who are delinquent in child support."<sup>19</sup> Testimony before the House Ways and Means Committee further illustrates the desire for fathers to be involved with and to help support their children:

*... The PFS pilot experience ... lays bare several sobering realities about the potential of 'enforcement only' strategies for increasing (financial) child support collections from the parents of AFDC children. ... The hard truth is that many noncustodial parents do not pay because they have no income. Before they can pay, they need jobs.<sup>20</sup>*

This American Fathers Coalition Welfare Reform Program gives the child a father while discouraging unwed pregnancy and encouraging family formation. The American Fathers Coalition plan takes a giant step toward breaking the cycle of poverty and providing children a stable environment that discourages delinquent behavior and encourages personal responsibility, academic achievement, and social competence.

The AFC Welfare Reform Program gives the child a father, a family, and a future!

#### CONTACT:



<sup>19</sup> *Washington Post*, February 11, 1994.

<sup>20</sup> Gordon Berlin, Senior VP, Manpower Demonstration Research Corporation. Subcommittee on Human Resources, House Ways and Means Committee. March 15, 1994.



## TESTIMONY OF AMERICAN PSYCHOLOGICAL ASSOCIATION

The American Psychological Association (APA) is the largest scientific and professional organization representing psychology in the United States. APA's membership includes more than 124,000 researchers, educators, clinicians, consultants and students. APA's mission is to advance psychology as a science, as a profession, and as a means of promoting human welfare.

APA has a long history of involvement in social policy that affects children, youth, and families. Many of our members conduct research on topics of concern to this demographic group including child development, child care, child neglect and abuse, foster care, and adolescent pregnancy.

APA believes that public policy should be based on sound research. This is particularly important when the welfare of millions of families with young children is at stake. If policy fails to incorporate current research knowledge in its design, it may not only fail to achieve its objectives, but have unintended negative consequences. It is particularly important in this time of fiscal constraint to ensure that limited dollars be spent wisely.

In the current welfare reform debate, we are concerned that policies aimed at reducing the extent of nonmarital childbearing and welfare dependency not have a negative impact on the physical and mental health and wellbeing of mothers and children, particularly adolescent mothers and very young children. It is important to remember that the major goal of welfare reform should be to reduce the number of children in America who are growing up in poverty. **Efforts to reduce nonmarital childbearing by women who cannot afford to support their children is just one component of reform and should not be pursued without reforming the many other aspects of the system that fail to address the needs of families with children.**

### Policies Aimed at Influencing Childbearing

Before formulating policies aimed at influencing reproductive behavior, it is necessary to have a clear understanding of the many factors that influence this behavior. There is an extensive theoretical and research literature on the determinants of fertility in several major fields: psychology, social demography, sociology, anthropology and economics. In addition, government and international organizations collect and analyze data on fertility and related variables, for example, the U.S. National Survey of Family Growth and the World Fertility Survey. General socioeconomic studies, studies on the microeconomics of fertility, and psychosocial studies comprise the largest bodies of research.

Much of this research seeks to explain differences in population growth rates and in the Total Fertility Rate (TFR) (the average lifetime number of children born per woman), which can range from a high of seven children in some African countries to less than two in some European countries. Governmental concern about reproductive behavior is generally focused on these aggregate fertility trends and policy responses are of two types: pronatalist – based on concern about too low fertility rates (Eastern and Western Europe) and antinatalist – concerns about too high fertility rates (most less developed countries, India and China being the most generally known examples).

However, governmental concern is also focused on the fertility of particular groups. In the U.S. in the 1960's and 1970's, concerns about population growth generally, and the higher fertility of women of lower socioeconomic status (SES) relative to that of women in higher SES groups, led to the federal funding of family planning services for poor women through Title X of the Public Health Service Act. Currently, there are concerns in both the U.S. and some European countries about nonmarital fertility rates, particularly among adolescents. It is unlikely that this would be a major governmental concern if the women having children out-of-wedlock did not require taxpayer supported financial assistance. Clearly, it is the nonmarital fertility of poor women, and adolescents in particular, that is the primary focus of the current welfare

debate. However, while much of the debate is focused on how to influence the behavior of single females, it is important to remember that historically, the welfare of children has been the central concern underlying the provision of welfare benefits, and children's welfare should be the focus of the current debate as well.

When seeking to explain large differences in total fertility rates such as those between the industrialized countries and the developing countries, demographic, cultural and general socioeconomic variables can explain much of the variance. When the total fertility rate is low, as it is in the U.S., explaining variations in fertility related to age at first birth, the timing of births, and marital status, requires an approach that looks more closely at psychosocial and microeconomic variables to explain reproductive behavior. Accordingly, our testimony today will focus primarily on research in these areas.

### **The Need to Target Reforms to Reduce Welfare Dependency**

There are several categories of women who receive AFDC benefits, and policies directed at one category may not be appropriate for another. Women receiving welfare are not a homogenous group. They may be separated, divorced, widowed, or never-married; they may have had children as teenagers or in their twenties or thirties; they may never have completed high school or they may be college graduates; they may have extensive employment experience or none; they or their children may have physical or mental health problems or disabilities; and they may be short or long-term recipients of benefits.

The category of women causing the most concern among policymakers and the public is the group of never-married, long-term recipients of AFDC, particularly those who first received benefits as teenage mothers. A recent GAO Report found that the proportion of single mothers in the general population who have never-married was 36 percent in 1992, while the proportion of never-married single mothers receiving AFDC was 52% (GAO, May 1994). From 1976 to 1992, about 42 percent of all single women receiving AFDC were, or had been, teenage mothers (GAO Report 94-112, 8). Given that current and former teenage mothers comprise a large and costly proportion of all female-headed families receiving AFDC, the GAO report concluded that assistance to gain and retain employment should be aimed at teenage mothers.

Similarly, other analysts have concluded that reducing welfare dependency will require a reduction in the level of nonmarital childbearing by adolescents. It is often stated that the current policy of paying cash benefits through the AFDC program is an incentive for adolescents to have children so they can set up independent households. On a conceptual level, it is difficult to argue against the notion that an incentive for teen parenting exists within AFDC. The question is whether the incentive – or the lack of an economic disincentive – is strong enough to shift the behavior of adolescents. Do adolescents actually become pregnant in order to receive welfare benefits? Or are adolescents – once pregnant – more likely to bear and keep their children because welfare benefits enable them to do so? Do adolescent mothers bear additional children in order to increase the size of their benefit? And if so, how can we change this behavior without harming children?

Psychologists and other social scientists have conducted a great deal of research to attempt to answer these and other questions related to motivations for childbearing. A brief review of this research follows, with an analysis of its findings as they bear on important welfare policy questions.

### **Reducing Adolescent Childbearing**

A major goal of the Personal Responsibility Act (H.R. 4) is to reduce nonmarital childbearing. Provisions in H.R. 4 aim to do so by denying benefits to unmarried women under 18 who have children and by capping benefits so that no payments

will be made for additional children born while the mother is on welfare. While intuitively this may seem a logical approach, when the reasons for adolescent childbearing are considered in their entirety, it is unlikely that such policies would have the intended effect for the majority of adolescents. Adolescent childbearing is a complex behavior that involves several behavioral decisions (Hayes, 1987). Each of these decisions is influenced by a number of inter-related demographic, economic, social, and psychological factors (Adler, 1994; Hayes, 1987). Before examining the factors that affect this decision-making process, we will first examine whether there is support for the hypothesis that welfare benefits provide economic incentives for adolescents to give birth out-of-wedlock.

### **Welfare Benefits and Nonmarital Childbearing**

The availability of welfare benefits appears to be a popular explanation for the rise in the number of households headed by unwed adolescent mothers. The assumption underlying this view is that AFDC and other welfare benefits serve as an incentive -- or at a minimum decrease the disincentives -- to bear children out-of-wedlock and to remain unmarried.

The welfare incentive explanation for rising teen pregnancy rates dates back to the early 1960's, but received greatest attention following the publication of Charles Murray's analysis of federal welfare policy in 1984 (Murray, 1984). Over the past decade a number of scholars have attempted to evaluate the effect of welfare benefits on adolescent pregnancy rates. The question of concern to researchers, and certainly of interest to policymakers, is whether the incentive is strong enough to affect the behavior of adolescents. Does the presence of welfare benefits play a significant role in adolescents' fertility-related behavior?

While there is not complete unanimity of opinion among researchers on this question, two relatively recent reviews of the welfare incentive literature conclude that welfare benefits do not serve as a reasonable explanation for variations in pregnancy and childbearing rates among unmarried adolescents (Duncan, Hill, & Hoffman, 1988; Moffitt, 1992).

Several recent studies also failed to find evidence supporting the welfare incentive hypothesis. A study by Moore, Morrison, and Glei (1994) did not find AFDC benefit levels or a host of other welfare-related variables to predict either age at first sexual intercourse or contraceptive use. For females, only welfare receipt by both their mothers and grandmothers predicted intercourse at younger ages, and only maternal welfare receipt predicted non-use of contraception. The authors conclude that lowering AFDC benefits will not affect the sexual or contraceptive behavior of adolescents.

In another study using data from the nationally-representative Panel Study of Income Dynamics (Duncan and Hoffman, 1990) the authors found that AFDC benefit levels had only weak, non-statistically significant effects on out-of-wedlock childbearing for Black adolescents. In contrast, there was a strong and statistically significant relationship between measures of economic opportunity and the probability of AFDC-related births among unmarried adolescents.

Using the same data set but a different analytic procedure, other researchers (An, Haverman, and Wolfe 1993) concluded that the level of welfare benefits was not significantly related to out-of-wedlock adolescent childbearing. Consistent with other researchers (Moore, 1994) these researchers found that the most important predictors of adolescent girls' fertility behavior were their mothers' characteristics: years of school completed, receipt of welfare, and age at birth of first child.

Another recent study (1994) also failed to confirm the welfare incentive hypothesis. In this study, AFDC benefit levels did not significantly affect the incidence of out-of-

wedlock first births, or subsequent births for AFDC recipients. Factors that were found to have a greater effect on fertility behavior include a woman's educational attainment and upbringing in a two-parent family.

There are a few studies that have found a positive association between AFDC benefit levels and adolescent pregnancy or out-of-wedlock birth rates. However, most of these have methodological problems, and in each study, the relationship held only for White adolescents. In one study, although the author found that AFDC benefits were related to out-of-wedlock births for White adolescents, she concluded that AFDC does not affect the overall birth rate for teens (Ozawa, 1989). Rather, once an adolescent is pregnant, it seems to influence the decision whether to marry the father. However, this effect was only present for White adolescents.

In another series of studies, the authors found a relationship between AFDC benefit levels and adolescent childbearing for White but not Black adolescents (Plotnick, 1990; Lundberg & Plotnick, 1990; Lundberg & Plotnick, in press). However, the authors caution that some of the findings are statistically unstable, making their conclusions less than definitive. A final study by Murray (1993) also found a significant relationship between welfare benefits (in this study, a combination of AFDC cash benefits and food stamps) and nonmarital childbearing rates, but also, only for White adolescents. As was the case with the other studies just cited (Ozawa, 1989; Plotnick (1990), only aggregate state-level data were used rather than individual level data. As a consequence, the small sample size (n=50) renders the statistical results very unstable, leading all of the researchers to offer caveats with respect to the conclusions.

In response to the public debate over the policy implications of the presumed "incentive effect" for teen pregnancy, a group of 77 poverty researchers signed a statement ("Welfare and Out-of-Wedlock Births: A Research Summary," 1994) asserting that the accumulated research indicates that "welfare has not played a major role in the rise of out-of-wedlock childbearing (p.1)." The group includes several researchers whose work is often cited in support of restrictive welfare proposals (Plotnick, Ozawa). APA agrees with these researchers that the "family cap" and similar proposals intended to reduce or eliminate welfare for children born out-of-wedlock will do little more than inflict additional harm and further compromise the development and life prospects of children who already face deprived circumstances.

### **Demographic, Social and Psychological Influences on Childbearing**

As mentioned previously, adolescent childbearing is a complex behavior encompassing several discrete yet interrelated steps, each requiring a decision: whether to initiate sexual activity; whether to use contraception and, if so, what type; if pregnant, whether to terminate the pregnancy or give birth; and if choosing to give birth, whether to give the child up for adoption, marry before the birth of the child, or become a single parent (Hayes, 1987). To understand why unmarried adolescents have children it is necessary to examine each of these decisions and the many factors that influence each one.

#### **1. Initiating Sexual Activity**

The first decision is whether to initiate and engage in sexual activity before marriage. Research has shown that the majority of adolescents (70 - 80%) are sexually active (Alan Guttmacher Institute, 1981; 1994; Blau & Gullotta, 1993; Burt, 1986; Westoff, Calot, & Foster, 1983) and initiate this activity before marriage - on average eight years before marriage (Alan Guttmacher Institute, 1993b; 1994; Forrest, 1993). Factors that influence the decision to engage in sexual activity include personal and family characteristics and peer group influence. For many female adolescents, coercion is also a significant factor.

**Personal characteristics** include the following:

**Age at Puberty.** One hundred years ago, the average age at menarche for adolescent females was 14.8 years. In 1988, the average age was 12.5 years. Some adolescents begin to menstruate as early as 10 years of age (Alan Guttmacher Institute, 1994). The early onset of puberty is associated with early initiation of sexual activity, but this relationship is mediated by gender, race, and social factors. The onset of puberty is the strongest determinant of sexual initiation for males (Alan Guttmacher Institute, 1994). For Black females, puberty strongly influences whether they will initiate sexual activity at an early age; whereas, for White girls, other social factors, such as their family structure and the sexual activity of their friends, have more influence than the onset of puberty (Alan Guttmacher Institute, 1994; Udry & Billy, 1987).

**Age of the Individual.** The older the adolescent, the more likely it is that he or she will have had intercourse (Alan Guttmacher Institute, 1994; Hofferth & Hayes, 1987).

**Race and Socioeconomic Status.** Black adolescents of both sexes initiate sexual intercourse earlier than their white counterparts (on average about one to two years earlier) and at every age more Black adolescents than White Adolescents engage in sexual activity (Alan Guttmacher Institute, 1994; Zelnik, Kantner & Ford, 1981; Bauman and Udry, 1981; Forrest, 1993; Hofferth & Hayes, 1987; Newcomer and Udry, 1983). The differences are believed to be too large to be explained by differences in physical maturity (Hayes, 1987). There is disagreement over the source of these racial differences. Some researchers attribute it to differing socioeconomic status, others to differences in social and cultural mores related to the acceptability of early sexual behavior.

**Religiosity.** Religion does not appear to be an important factor influencing the initiation of sexual activity, but religiosity is (Inazu & Fox, 1980; Zelnik et al., 1981; Jessor & Jessor, 1975; Hayes, 1987). Thus, nominal affiliation, that is, being a Catholic, does not predict delayed intercourse, but devout observance of religious customs does.

**Intelligence, Academic Aspirations, and Achievement.** Several studies have shown a positive relationship between low intellectual ability, low educational goals, low academic achievement, and early initiation of sexual activity among both Black and White adolescents (Furstenberg, 1976; Udry, Bauman, & Morris, 1975; Jessor & Jessor, 1975; Jessor, Costa, Jessor, & Donovan, 1983). This relationship, however may be mediated by numerous other social, economic, psychological and situational factors such as parents' level of education, and parents' expectations for their daughters, which may influence their daughters' own expectations (Hayes, 1987). Children with more educated parents tend to be more goal-oriented and place more value on achieving (Hayes, 1987).

**Family Characteristics** include the following:

**Parent-Child Communication.** There has been less research on the affect of family characteristics on early initiation of sexual activity and the evidence has been conflicting (Miller, Christopherson, & King, 1993). For example, one study found no relationship between parent-child communication and the initiation of sexual intercourse (Moore, Peterson, & Furstenberg, 1986); another questioned the causal direction of the relationship (Hofferth, 1987); and others argue that good parent-teen communication among specific subsets of adolescents can help to postpone sexual activity (Inazu & Fox, 1980). Similarly conflicting results have been found when studying the relationship between parental supervision and early sexual activity.

**Mother's Age at Initiation of Sexual Activity.** There is a strong relationship between mother's early sexual activity and the activity of her daughter (Newcomer & Udry, 1983).

**Family Structure.** Girls who live with both parents are less likely to initiate sexual activity at an early age (Alan Guttmacher Institute, 1994; Newcomer & Udry, 1983). It is possible that single parents are less available to communicate values and to supervise children, and that lack of parental (especially maternal) attention and affection may lead adolescent girls to seek attention and affection in sexual relationships (Hayes, 1987).

**Peer Group Influence.** A final major factor in determining an adolescent's decision to engage in sexual activity is peer group influence. Adolescents frequently cite peer attitudes and behavior as the single most important factor affecting their own behavior (Miller et al., 1993). Many adolescents act on their perceptions of their peers' attitudes and behavior, whether or not their perceptions are correct (Adler, 1994; Hayes, 1987). Some research has found that peer influence is a less important factor for Black adolescents and that White adolescent girls appear to be the most susceptible to peer influence (Crockett & Chopak, 1993; Hayes, 1987; Miller et al., 1993). In some instances, extreme forms of peer pressure can be viewed as a form of mild coercion.

**Coercion.** Finally, many adolescents are coerced into early sexual activity. Coercion may range from verbal intimidation and threats to sexual assault. Adolescent girls are subjected to all types of coercion. Studies indicate that among adolescent females who have their first sexual experience at the age of 15 or younger, over half report that the sexual experience was *not* voluntary (Alan Guttmacher Institute, 1994; Laumann et al., 1994; Moore, Nord, & Peterson, 1989). This percentage increases to almost three-quarters of females whose first sexual intercourse occurred before the age of 14 (Alan Guttmacher Institute, 1994; Moore et al., 1989). Girls may be pressured by boys in part because some boys are subjected to ridicule by their peers if they don't engage in sex. Such ridicule could be considered a particularly strong and negative type of peer influence, but also has an element of coercion. Descriptive research about sexual activity among poor Black inner city youth portrays sexual activity as a game, with adolescent boys continually trying to have sex with as many girls as possible, and coming up with elaborate scheme to do so. The girls are described as often aware of what the boys are trying to do, but that the boy is often several years older than the girl and uses his older age authoritatively to convince or pressure her to have sex (Anderson, 1994). Adolescent males may be pressured by their peers to engage in sex with multiple partners, because peers indicate that there's something wrong with them if they don't.

## 2. Contraceptive Use

The next decision in the process that can lead to adolescent pregnancy is whether or not to use contraception to prevent pregnancy. Variations in contraceptive use include those who always use it, those who never use it and those who use it sporadically. Among those who use contraceptives, other important factors are the effectiveness of the particular method chosen, and the effectiveness of use, e.g. the proper use of barrier methods such as diaphragms.

About two-thirds of adolescents use some form of contraception the first time they have intercourse (Alan Guttmacher Institute, 1994); however, many do not use contraception properly or effectively, although this problem is not unique to adolescent females (Alan Guttmacher Institute, 1994). Only 40% of sexually experienced adolescent females visit a family planning clinic or doctor to obtain medically prescribed contraceptives within a year after their first sexual intercourse (Alan Guttmacher Institute, 1993b; 1994). Most sexually-active adolescent females rely on over-the-counter methods of contraception before consulting a medical professional, and may not know how to effectively use the various forms of contraception (Alan Guttmacher Institute, 1994).

There are several factors affecting contraceptive use. The most important are:

**Age.** The older an adolescent female, the more likely she is to use contraception, to use it regularly and effectively (Alan Guttmacher Institute, 1994; Hayes, 1987; Zabin & Clark, 1981) and to use a medical method of contraception, most likely oral contraceptives (Alan Guttmacher Institute, 1994; Zelnik et al., 1981). Younger adolescents females are more likely to rely on male methods of contraception (e.g. condoms, withdrawal; Alan Guttmacher Institute, 1994) and are more likely to use contraception sporadically. When differences in age at first sexual intercourse are controlled, contraceptive use by Black adolescent females is similar to that of White adolescent females. However, age has little effect on contraceptive use at first intercourse for adolescent males (Hayes, 1987).

**Knowledge of Reproduction and Contraception.** Accurate knowledge about the physiology of reproduction and methods of contraception are associated with contraceptive use (Blau & Gullotta, 1993; Hayes, 1987). Many studies have found knowledge of basic conception and contraception among male and female adolescents to be deficient enough to prevent regular effective use of contraception (Blau & Gullotta, 1993; Zelnik & Shah, 1983). Many adolescent females have misconceptions about their risk of pregnancy, particularly if they've already had intercourse without contraception and did not get pregnant (Moore et al., 1986; Adler, 1994). Some very young adolescents may not have acquired the cognitive skills necessary to make an accurate assessment of the risk of pregnancy (Coblner, 1981; McAnarney & Schreider, 1984). Fear that some forms of contraception (e.g. oral contraceptives) will have negative health consequences, and discomfort with particular methods also inhibit contraceptive usage (Adler, 1994; Forrest & Henshaw, 1983).

**Acceptance of One's Sexuality.** Adolescent females who are psychologically comfortable with being sexually active are much more likely to seek and use contraception. Conversely, adolescents who are uncomfortable, ambivalent or guilty about their sexual behavior may be inhibited from seeking out and using contraceptives (Adler, 1994; Blau & Gullotta, 1993).

**Stability in Sexual Relationship.** Several studies show an association between the stability and level of commitment in a relationship and the use of contraception (Herold, 1980). Certain contraceptive methods require planning and an adolescent who is in a long-term relationship is more likely to be having sex on a regular basis and therefore able to anticipate and plan for contraceptive use (Alan Guttmacher Institute, 1994). Research has shown that many adolescents who engage in sexual activity do so sporadically and with little forethought and so are not prepared to use contraception (Crockett & Chopak, 1993).

**Academic Aspirations.** For both Blacks and White adolescents, those who have strong achievement orientations and clear goals are more likely to use contraception (Adler, 1994; Alan Guttmacher Institute, 1994). Also, the better educated an adolescent female's parents are, the more likely she is to use contraception (Alan Guttmacher Institute, 1994; Zelnik et al., 1981).

**Self-Esteem and Internal Locus of Control.** Adolescent females who have high self-esteem and believe they have control over most things in their lives are more likely to use contraceptives effectively than are those girls who have a low sense of competence and control over shaping their own lives (Adler, 1994).

**Parental Support and Control.** Several studies show that when the mothers of adolescent females have greater knowledge about contraception, convey positive attitudes about contraception, and are more likely to discuss contraception with their daughters, they are more likely to positively influence their daughters' use of contraceptives, even if communication is infrequent (Furstenberg, 1976; Fox, 1981; Hayes, 1987).

**Access to Family Planning Services.** Many adolescent females, particularly lower

income adolescent females, rely heavily on family planning clinics for their contraceptive needs (Donovan, 1995). For many lower income adolescent females who do not have access to such clinics, contraceptive supplies and services may be too costly. As a result, they may have to rely on less-costly methods that may be more difficult to use successfully (e.g. condoms) or that have a lower rate of effectiveness than do medical methods (e.g. oral contraceptives), which can only be obtained from a physician or a family planning clinic (Donovan, 1995). Alternatively, they may not use any form of contraception (Donovan, 1995). The only federal program designed solely to provide such services to lower-income women (Title X of the Public Health Service Act) has not been reauthorized since 1985 and funding for Title X declined 72% between 1980 and 1992 adjusting for inflation (Donovan, 1995). As a result, the clinics that provide contraceptive services to many lower-income adolescent females have had to reduce the hours when services are available, reduce the number of services provided, and charge higher fees for the remaining services (Alan Guttmacher Institute, 1994; Donovan, 1995).

There are numerous other interrelated factors that affect adolescents' use of contraceptives: situational factors, such as the foreseeability of sexual encounters (Adler, 1994); sexual partner factors, such as a male's willingness to wear a condom (Adler, 1994); and the subjective "costs" associated with different types of contraceptives, for example, financial costs and ease of use (Adler, 1994; Loewenstein & Furstenberg, 1991). These factors may also be influenced by other variables, such as an adolescent's assessment of the risk of becoming pregnant, which may or may not be accurate. In sum, the reasons underlying contraceptive use are numerous, complex, varied, and interrelated. Efforts to reduce adolescent pregnancy must take account of all these factors.

### 3. Decisions at the Time of Pregnancy

When an adolescent girl discovers she is pregnant, she is faced with two major options: abortion or continuing the pregnancy to term. If the decision is to continue to term, her options include: adoption or keeping the child. If she does not want to give her child up for adoption, she also must decide to either continue living in her parental home or to establish her own household with or without being married. While marriage is theoretically an option, its occurrence is dependent on the decision of two persons, and so is not so clearly a "choice" for the pregnant adolescent.

It is during early pregnancy that decisions about childbearing come into sharp relief. For some adolescents, abortion and adoption are not options they would choose, whatever their personal circumstances. In this instance the only choice they see as viable is childbirth, and so the availability of economic support serves as neither an incentive or a disincentive. For adolescents who feel they could never give a child up for adoption, the choice is between having an abortion or carrying a pregnancy to term and bearing a child. Fewer than 5% of pregnant adolescents choose adoption to resolve an unintended and unwanted pregnancy (Alan Guttmacher Institute, 1994; Bachrach, Stolley, & London, 1992).

The decision to bear a child out-of-wedlock, is influenced by many factors: *Was the Pregnancy Intended and/or Wanted?* One of the most important factors affecting a pregnancy outcome is whether it was intended and wanted. Overall, 85% of adolescent females who have experienced a pregnancy report that their pregnancy was unintended (Alan Guttmacher Institute, 1994); those who report that their pregnancies were intended are more likely to give birth (Alan Guttmacher Institute, 1994; Zelnik et al., 1981).

*Academic Aspirations.* Both Black and White adolescents who are doing well in school when they become pregnant and who have a strong orientation toward the future are less likely to carry a pregnancy to term (Alan Guttmacher Institute, 1994; Eisen et al., 1983; Leibowitz et al., 1980). Adolescent who have completed more years



of high school are less likely to carry a pregnancy to term (Alan Guttmacher Institute, 1994; Zelnik et al., 1981).

**Demographic and Family Characteristics.** Black and Hispanic adolescents are more likely than White adolescents to give birth outside of marriage (Alan Guttmacher Institute, 1994; Hayes, 1987; NCHS, 1993a; 1994). This difference is attributed both to the lower marital rates among the Black population, as well as to the overrepresentation of Black adolescents in the low income population, since adolescents from families of lower socio-economic status are also more likely to have a nonmarital birth (Alan Guttmacher Institute, 1994; Henshaw, 1992; Zelnik et al., 1981). Pregnant adolescents whose parents are less highly-educated are also more likely to carry the pregnancy to term (Alan Guttmacher Institute, 1994; Cooksey, 1990). This may be because adolescents whose parents are less highly-educated are less likely to be oriented toward the future than those more less highly-educated parents (e.g. Hayes, 1987).

As with the decision to become sexually active, religious affiliation does not appear to be an important influence on whether an adolescent female chooses to carry her birth to term. However, religiosity is a factor influencing the utilization of abortion: adolescents from more religious and devout families being more likely to carry a pregnancy to term (Eisen et al., 1983).

**Peer Influence.** Adolescent females who have friends or family members who are adolescent single parents are more likely to give birth. Adolescents whose peers and sexual partners view abortion as a valid option, and those whose partners are close to their own age, are less likely to give birth (Alan Guttmacher Institute, 1994; Hayes, 1987).

**Attitudes Toward Nonmarital Childbearing.** Black communities have a greater diversity of family composition (e.g., multigenerational and extended), making single parenthood less unusual and more socially acceptable than in White communities (Anderson, 1994; Hayes, 1987; Moore et al., 1986). Apparent racial differences in the acceptability of nonmarital childbearing could be due to differences in socioeconomic status (Hogan & Kitagawa, 1983 in Hayes, 1987). Other research (Abrahamse et al., 1985 in Hayes, 1987) indicates that attitudes toward nonmarital childbearing are directly related to perceptions of alternative options and opportunities and thus to both the direct and opportunity costs of having a child outside of marriage. Therefore, racial differences may be due in part to differences in perceived future economic, educational, and career opportunities. If adolescents from lower socioeconomic backgrounds, who are more likely to be Black, do not perceive many costs to early nonmarital childbearing they may be more likely to carry an unintended pregnancy to term (Abrahamse et al., 1985 in Hayes, 1987). Clearly, both the availability of marriage partners and the perceived utility of marriage in a given setting are important factors affecting attitudes to both marriage and nonmarital childbearing.

**Access to Abortion Services.** Adolescent females, particularly younger adolescents, are more likely than women in their twenties to delay having an abortion until after the earlier weeks of gestation (Alan Guttmacher Institute, 1981; Hayes, 1987). These delays may result from failing to recognize early signs of pregnancy (e.g., many younger adolescents have irregular periods and may not worry if their period is late); denial that they may be pregnant; legal barriers such as parental notification and consent laws and the need to obtain a judicial waiver (Alan Guttmacher Institute, 1994; Donovan, 1992); or geographic or financial barriers to abortion services, particularly important for younger adolescents and those from low income families (Alan Guttmacher Institute, 1981; Donovan, 1995). The longer an abortion is delayed, the more expensive the procedure costs, making it unlikely that an adolescent who wants to end a pregnancy will be able to afford the procedure, unless a parent or other adult relative is involved.

**Factors Affecting the Decision to Marry Before Birth.** Demographic data indicate that White female adolescents, those from higher socioeconomic backgrounds, and those who are older when they become pregnant are more likely to marry before they bear a child (Zelnik et al., 1981; O'Connell & Moore, 1980). Research also indicates that there are differing social structures governing marriage in the U.S. for Blacks and Whites (Rindfuss & Parnell, 1989). Reasons for the lower propensity of Blacks at all socioeconomic (SES) levels to marry are not clearly understood. Several factors that may be influential for lower SES Blacks include: high rates of school dropout, high rates of unemployment, and high rates of incarceration for Black males (Schoen & Kluegel, 1988).

**Availability of Financial Assistance.**

Critics of U.S. welfare policy have argued that it is pronatalist in effect if not in intent. However, as a review of the relevant research shows, the determinants of adolescent childbearing are numerous and varied and involve decisions related to intimate, interpersonal behavior. As discussed earlier, the availability of financial assistance is unlikely to have more than a small and indirect influence on childbearing. Therefore, current proposals to deny benefits to unwed mothers under 18 or to cap benefits for additional children are unlikely to have anything more than a minimal impact on rates of adolescent childbearing.

**Policies to Reduce Nonmarital Childbearing**

Policies to deny welfare benefits to the children of women under 18 and to cap welfare benefits for subsequent children, are inconsistent with what researchers know regarding the causes of adolescent sexual behavior, pregnancy, and childbearing. If the aim of policy is to reduce welfare dependency by reducing the rate of nonmarital adolescent childbearing, policies should be directed toward addressing the appropriate factors, that is, those that are strongly related to adolescent childbearing and those that are amenable to government policy solutions. At the same time, policy should also address the needs of mothers who want to support their children and the needs of these children.

There are a number of important policies that can reduce adolescent childbearing and subsequent welfare dependency.

**Education and Employment**

The research findings presented in this testimony highlight the importance of an adolescent's education, school achievement, and educational and career aspirations as factors for ensuring that unmarried adolescent females do not bear children and then become welfare dependent. Research clearly indicates that attitudes toward nonmarital childbearing are directly related to perceptions of alternative options and opportunities and thus to both the direct and opportunity costs of having a child outside of marriage. If adolescents from lower socioeconomic backgrounds, who are more likely to be Black, do not perceive many costs to early nonmarital childbearing they may be more likely to carry an unintended pregnancy to term (Abrahamse et al., 1985 in Hayes, 1987).

In the absence of alternative options, many adolescent females view motherhood as a means to adult status. Given that current and former teenage mothers comprise a large and costly proportion of all female-headed families receiving AFDC, we agree with the recommendations in the recent GAO report that assistance to gain and retain employment should be targeted at teenage mothers. However, since the educational achievement and welfare status of women are important influences on their daughters' childbearing behavior, it is crucial that welfare policies facilitate education, job training and employment among all current welfare dependent mothers. Thus, welfare reforms that reduce welfare dependence of current recipients may reduce the risk faced by the next generation of youth.

Social welfare and family policy in Sweden provide an interesting perspective on the importance of labor force participation for reducing early childbearing and dependence on welfare. Swedish policies stimulate women's employment by reducing the individual costs of having children while requiring parents to be employed to collect full benefits (Sundstrom & Stafford, 1992). As a result of these policies, in the '80s and '90s, Sweden had the highest female labor force participation rate among European countries, despite a high level of non-marital fertility (Sundstrom & Stafford, 1992). A key feature of Swedish policy that encourages labor force participation is that maternity benefits, which are available to *all* women, are based on work and income history: those in the labor market receive a payment equal to 90% of gross earnings, while those not in the labor market receive a minimal, taxable flat payment. Thus, there is a very strong financial incentive for women to delay childbearing until they have been in the workforce and even to postpone childbirth until they have maximized their earnings (Sundstrom & Stafford, 1992). This incentive is reflected in a relatively high average age at first birth for Swedish women (Sundstrom & Stafford, 1992).

However, there are other very important features of Swedish social policy that encourage female labor force participation, including generous sick pay for both the employee and for care of sick children, subsidized child care, and flexible working hours. Since 1979, all full-time employed parents have had the right to work for only 30 hours per week and retain full social benefits until their youngest child is 8 years old. And since 1971, separate taxation of spouses was introduced to create incentives for men and women to work more equal hours in the labor force (Sundstrom & Stafford, 1992). Paid parental leave, and leave to take care of children, are financed out of general taxes with no direct costs to the employer, and total government expenditures for parental benefits for working parents amount to only 1% of the Swedish Gross National Product. Unlike the U.S., where women in low paying jobs often do not have health insurance, in Sweden there is also universal health insurance coverage, so there is no incentive to stay out of the work force in order to get health insurance for oneself and one's children.

Clearly, if women on AFDC are to become economically independent, they need health insurance, child care, and flexible work hours as well as an income that can support a family.

#### **Contraceptive Services**

The most desirable method of reducing nonmarital childbearing, and adolescent childbearing in particular, is to prevent unintended and unwanted pregnancies. Given that the majority of adolescents engage in sexual activity before marriage, the availability of safe and effective contraception is an essential pre-requisite. Clearly, federal policymakers could contribute to this goal by reauthorizing Title X of the Public Health Service Act and increasing the funding available to family planning clinics. This would help to ensure that contraceptive services are available to adolescent females who want them.

#### **Abortion Services**

While pregnancy prevention is the most desirable approach to preventing unintended adolescent childbearing, given the large number of unintended and unwanted pregnancies that occur among U.S. adolescents every year, the availability and affordability of abortion services are important factors that have a direct affect on adolescent childbearing and welfare dependency. As a recent report has noted, many women of all ages believe they are not able emotionally or financially to bear a child (Donovan, 1995). Recognizing that the provision and funding of abortion services is a contentious political issue, nonetheless it is important to state that if adolescent childbearing and related welfare dependency are to be reduced, the availability and affordability of abortion services, particularly for poor women, must be increased, and government policies should be aimed at doing so.

**Child Support Enforcement**

Almost totally lacking from most discussions about the adolescent pregnancy problem is the importance of policies and programs targeted at adolescent males. Clearly, efforts to promote parental responsibility should not be aimed solely at young mothers. Child support laws should be vigorously and uniformly enforced. To do this effectively, the establishment of paternity is an essential prerequisite. Some analysts have suggested that since unemployed adolescent males are unlikely to be able to provide financial support for their children, paternity establishment is not cost-effective. However, adolescent males will one day be adult males, and many will be employed. Once employed, a portion of their wages should be used to support their children. If such enforcement proceedings become commonplace and widely known, they may promote more responsible behavior, particularly contraceptive use, among adolescent males.

**Conclusion**

For many women in the U.S., paid employment without benefits does not pay enough to support a family. If we are to take seriously the need to end child poverty, to raise the standard of living of all U.S. families, and to reduce adolescent childbearing, a much broader approach to welfare policy and employment and benefit policy is needed.

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## TESTIMONY OF ASIAN & PACIFIC ISLANDER AMERICAN HEALTH FORUM, INC.

We, the Asian & Pacific Islander American Health Forum (APIAHF), would like to thank the Ways and Means Committee, Subcommittee on Human Resources and its Chairman Honorable Clay Shaw for providing us with the opportunity to participate in the discussion of the Personal Responsibility Act (PRA). At this time, we would like to focus our discussion of the Title IV Restricting Welfare for Aliens of the PRA. Specifically, section 401 of the Personal Responsibility Act deny sixty federally funded programs that are currently available to the residents of United States who are not yet citizens. The sixty federal programs that are proposed to be denied from non-citizens are broad range of programs that include health care, nutrition, assistance for children and their families, assistance for seniors and those with disabilities, housing and energy assistance programs, job training, educational assistance and other programs.

The Asian & Pacific Islander American Health Forum (APIAHF) is a national, non-profit organization located in San Francisco, California. Founded in 1986 to address the discrepancies in health status between the Asian and Pacific Islander population and that of the large population, the Health Forum has over three hundred individuals and organizational members consisting of health care providers and community-based organizations. Our mission is to improve the health of the U.S. Asian and Pacific Islander population through combination of applied research, programmatic activities and policy analysis.

### Programs Affected by the Personal Responsibility Act

As a health care organization, the focus of this testimony is limited to the proposed cuts in health and health-related programs. The health and health-related programs that will not be available to non-citizens include:

- **Medicaid:** basic doctor and hospital services for very low income families with children, pregnant women, the elderly, blind and those with disabilities
- **Maternal & Child Health Services Block Grant Program:** access to maternal and child health services with access to maternal and child health services including prenatal care, well-child care, dental care, vision and hearing screening services, and counseling services for parents of sudden infant death syndrome victims
- **Family Planning Services:** family planning services including natural family planning methods and supplies, counseling, physical examinations, testing for cancer and sexually transmitted diseases, infertility services, pregnancy tests, follow-up examinations, and referral to other social and medical referrals.
- **Alcohol, Drug Abuse, and Mental Health Services Block Grant:** alcohol, drug abuse and mental health programs
- **Immunization Against Vaccine Preventable Diseases:** preventive health services.

- **Lead Poisoning Screening, Referrals and Education:** testing of infant and child blood lead levels, treatment of high blood lead levels, referral for environmental intervention, and education
- **Preventive Health and Health Services Act Block Grants:** preventive health services, comprehensive health services, and emergency medical services, including demonstration projects for emergency medical services for children.
- **Community Health Centers:** centers that serve medically underserved populations and areas suffering health professional shortages by providing primary care, preventive care and emergency health services.
- **Migrant Health Centers:** centers that service migratory and seasonal agricultural workers and their families for primary care, preventive care and emergency health services.
- **National Health Service Corps Scholarship Program and National Health Services Corps Loan Repayment Program:** loan forgiveness and scholarships to medical providers assigned to areas suffering health professional shortages.
- **School Lunches:** free and reduced price lunches to needy children in participating schools.
- **School Breakfast:** free and reduced price breakfasts to needy children in participating schools.
- **Special Milk Program:** free milk to poor children in schools and residential child care centers that do not participate in other federally subsidized meal programs.
- **Summer Food Service Program for Children:** meals for children in public or private non profit summer school and summer camps in areas where the majority of children are from low income families.
- **Nutrition Programs for the Elderly:** group and home-delivered meals to people who are homebound due to illness or disability or who are otherwise isolated.
- **Child and Adult Food Program:** meal subsidies for children in nonresidential child care centers, and for a small number of elderly in nonresidential adult care centers.
- **Women, Infants and Children Program:** coupons for food staples such as milk and eggs to very poor pregnant women and mothers with very young children to meet basic nutritional needs.
- **Commodity Supplemental Food Program:** food packages and nutrition education to poor and nutritionally at risk pregnant women, breastfeeding women, postpartum women, infants, and children up to age 6, and the elderly.
- **The Emergency Food Assistance Program:** acquisition and distribution of surplus food to food banks, food pantries, soup kitchens, hunger centers, temporary homeless shelters, community agencies, churches, and other offering food assistance to the needy.

### Population Characteristics

Asian & Pacific Islander American population is the fastest growing population group that realized an over 100% increase in population in the 1980's. The PRA would have a disproportionate impact on the A/PI population since about 40% of the Asian and Pacific Islander American population are not citizens according to the 1990 Census. Moreover, census data

indicate that the non-citizen A/PI populations are poorer than the A/PI citizen population. For example, at different age groups, the non-citizen A/PI population had a higher portion of the population who were living under poverty.

- about 34% of the A/PI children aged under 13 years who are non-citizens were living under poverty compared to 15% of the A/PI citizen children.
- about 31% of the A/PI non-citizen adolescents aged 13 to 18 were living under poverty compared to 13% of the citizen A/PI adolescents.
- about 18% of the non-citizen elderly aged 65 years and over were living under poverty compared to 11% of the citizen A/PI elderly.

These figures clearly indicate the difference in need between the citizen and the non-citizen population. Moreover, a higher portion of the A/PI non-citizen population is limited English proficient thus face language barriers that limit every aspect of their lives.

Despite the higher rate of poverty among the immigrant population, *only a small portion of the population who receive public assistance are non-citizens*. According to the recent article in the Christian Science Monitor, "experts agree that legal immigrants of working age are twice as unlikely to take welfare as citizens." (CSM, 1/27/95 p.1) In the article, according to the 1990 Census, "371,000 of 8.7 million receiving public assistance, or 4.3 percent, were legal immigrants. If the refugee population is included, the figure jumps to 9.3 percent. The US total population average is 7.2 percent." (ibid.) Although the legislation clearly delineates the difference between resident non-citizens and refugees (as refugees are exempt from the exclusion), it is not clear on the basis of the assumption behind the legislation, that resident non-citizens receive more than their share of public assistance.

### **Impact of the Exclusion of Health or Health-Related Programs**

The only source of health care for a small but significant number of the indigent A/PI population is Medicaid. Given health characteristics such as high prevalence of certain communicable diseases and chronic health problems, it would be devastating for these individuals to be without any source of medical care.

Moreover, many resident non-citizen populations reside in medically underserved areas where there are shortage of health care providers. In addition to being ineligible for Medicaid, the resident non-citizens are excluded from utilizing community health centers that serve these medically underserved populations. Consequently, being excluded from these two programs will obliterate virtually all source of care for these populations except for local health departments. A medical director from one of the community health centers in California that serves a large

number of the A/PI population stated that about 75% of the client it serves will no longer be eligible to receive care.

Given that the regular source of care for these individuals would be virtually eliminated, more and more individuals with health problems will delay receiving care and will be forced to seek emergency care that will not only be more expensive for the population, but to the nation, since every individual residing in the nation receives emergency care.

In addition, PRA prohibits non-citizen physicians who may want to serve areas that suffer shortage of health professionals, from loan forgiveness and scholarships. There are many areas, whose residents are predominantly citizens or non-citizens, that have an insufficient number of providers, especially in the rural areas. It is important that medical care providers be given incentives to serve in these areas. Excluding non-citizens from these incentives would result in a reduction of physicians who would provide the needed care in the shortage areas. The resulting impact would be felt more likely in the areas with a large citizen population. Therefore, it does not make sense to effectively reduce the supply of health care professionals.

Many of the health programs that will be excluded from the non-citizen population are prevention programs such as maternal & child health services, immunization, lead poison screening and nutrition. Without exception, prevention of diseases is considered the most effective use of health expenditures. Many studies have indicated that the return on investment in prevention is far greater than the initial investment. This truism obviously applies to the 12 million non-citizen populations in the nation. Therefore, sound economic rationale dictates that the nation ensures that all residents of the nation receive preventive services. Unless, we as a nation can deny emergency care to an individual because they are not citizens, it makes economic sense to prevent everyone from needing emergency care. Moreover, most of the prevention services focus on children since the benefit of prevention for the children is the greatest. As stated previously, there are number of communicable diseases that can easily be prevented through immunization and maternal and child health services.

For instance, the carrier rate for hepatitis B is ten times higher in the A/PI population than in the overall population. One of the most effective methods of preventing hepatitis B is immunizing the newborn. Without timely immunization, a newborn will be condemned to a viral infection which may lead to cirrhosis of the liver and liver cancer. Moreover, A/PI's also have higher rates of tuberculosis and measles, highly communicable diseases. It is important for the health of the public to ensure that the spread of deadly communicable disease is prevented.

In the last outbreak of measles, an extremely higher portion of A/PI children contracted, and died from measles. Therefore, making non-citizens ineligible for preventive programs would lead to severely adverse conditions for them and for the rest of the nation.

### Projected Cost Savings

According to the legislation (HR4), the savings from excluding non-citizens from the sixty programs will be \$21.7 million. The savings from the programs are concentrated in only a few programs. Most of the savings will be coming from four major programs: Supplemental Security Income (SSI), Medicaid, Foodstamp and Aids to Families with Dependent Children (AFDC). These four programs make up about 97% of the savings and the other 56 programs make up 3% of the savings.

More specifically:

- excluding SSI to non-citizen immigrants is projected to save about \$1.8 billion per year;
- exclusion of Medicaid is projected to save about \$1.5 billion;
- exclusion of Foodstamp is projected to save about \$640 million;
- exclusion of AFDC is projected to save about \$200 million; and
- exclusion of non-citizens from the residual 56 programs is projected to save \$140 million.

According to the legislation and press reports, most of the savings will be used to finance the middle class tax cut, another component of the Contract with America. These figures lead to a question regarding the assumptions behind this legislation. The inclusion of all programs, regardless of the amount of savings it would yield from exclusion of non-citizens, seems to imply a belief that no federal programs should be available to the immigrants until they become citizens. If the primary reason for the non-citizen exclusion was to finance welfare reform or middle class tax cut, the exclusion of four programs (SSI, AFDC, Foodstamp and Medicaid) would be sufficient to generate the savings without increasing administrative burden of determining eligibility for the fifty-six other minor programs.

This obvious belief that is the basis of this legislation is beyond the scope of this paper since this paper attempts to discuss the cost and benefit of the proposed policy in the health care arena. However, it is an important question that needs to be addressed as the nation considers this welfare reform legislation.

### Conclusion

The Personal Responsibility Act, in an unprecedented way, will distinguish the difference between citizens and non-citizens. In a nation that is composed of waves of immigrants from all corners of the world, the distinction from citizens and those who are awaiting to be citizens are minimal. There are only two major differences that currently separates citizens from non-citizens. One is voting and the other is delay in receiving public assistance. Currently, non-citizens are not eligible to receive public assistance until they have been in the country for three to five years, presumably to ensure that the new immigrants have contributed to their newly adopted nation.

Other than these two distinctions, non-citizens are required to pay all taxes and user fees imposed by government at all levels of the government and register for the draft. Moreover, many non-citizens volunteer for the armed services to protect this nation. Given the history of the nation and the contribution that the current non-citizens make to the nation, it does not make sense to distinguish them from other populations.

Moreover, the economic and social cost of excluding health and health-related programs to non-citizens would likely be much higher than the savings. More importantly, some of the cost would be imposed on the citizen population due to the lack of prevention efforts among a large portion of the population. Therefore, we strongly recommend that the Subcommittee members consider these issues when deliberating the current welfare reform proposal.

To: Phillip D. Moseley  
 Chief of Staff  
 Committee on Ways and Means  
 U.S. House of Representatives  
 1102 Longworth House Office Building  
 Washington, D.C. 20515

Subject: Welfare Reform

Date: 1/30/95

I am not now, nor have I ever (haunting words) been on welfare! Thank goodness, and I hope I never have to rely on the government to survive. America agrees that welfare reform is necessary. But please, I implore you, do not make welfare mom's the scape goat of America's problems . . . again. I have several problems with the Contract With America, proposed Personal Responsibility Act.

First, a little personal history. I am a 34 year old women with a masters level education, employed as an environmental consultant primarily at a DOE facility. I have not been politically active until recently. In the spring of 1992, I funded a trip to Washington, DC to attend the Pro-Choice March on Washington. In the fall of 1992, I voluntarily worked voter registration tables. Finally, I funded a personal trip to Washington just 3 weeks ago to witness the beginning of the 104th Congress, a Congress I feel personally threatened by. During that time, I sat in on the January 13, 1995 Ways and Means Committee Meeting on Welfare Reform, and now have first hand knowledge of how the subcommittees "stack" the panels. I did not realize the committees were so partisan!

I have read (1) the Contract with America, (2) the Personal Responsibility Act, and (3) your committee report dated January 5, 1995. One general statement that I would like to make before getting into the specifics is that it is curious to me (in your report) that you know so much about giving breaks to upper middle and upper class wage earners, that 5 pages of well researched information is presented in the Job Creation and Wage Enhancement Act. However, counter to this are the two pages of punishment targeted at welfare mothers (the majority are!) with no plan what-so-ever to provide incentive.

I feel compelled to send this letter on behalf of welfare recipients because I witnessed first hand in Washington the lobbyists and the schmoozers for all sorts of causes that line the pockets of special interests and thought, gee, I'll bet there aren't any lobbyists representing the interest of people who find themselves in the unfortunate position of needing public assistance.

The specific points I wish to address are the following:

- (1) Statistics
- (2) Illegitimacy
- (3) Working Mothers
- (4) Capping Welfare Spending

**Statistics:** We don't need Rush Limbaugh types (i.e., The Heritage Foundation) to falsely draw statistical conclusions. The chart he showed at the meeting referred to above, showed only the numbers of persons on welfare without taking into account population growth. On Good Morning America, a reporter quoted that in 1975 11.5 million persons were on welfare, while today that number is 14.5, which appears to be a 30% increase, when in reality it is a 5.5% increase in "rates" of persons on welfare, which could be due to other factors.

**Illegitimacy:** Where's Murphy Brown when we need her. This term is so antiquated as we near the 2nd millennium. And, it is especially targeted at the children, who have less say

in this debate then the adults. I agree that fathers need to be responsible. What truly bothers me most is that not one word is breathed in this passage about birth prevention. Get with it, kids need to learn about sex in school. They need to know about birth control. And if they are faced with an unwanted pregnancy, let them choose from the legal options available, including abortion. To put a gag rule on a medically available, legal procedure is outrageous, and makes me doubt that you (the GOP) will ever act in the interest of women.

**Working mothers:** Why is it that a women who, because she is of a privileged economic class, chooses to stay home and raise her children is performing the most important job in the world, but a poor women is a lazy, no-good, cheat? You preach family values, but is it only for a privileged class?

**Capping Welfare Spending:** You wouldn't have to cap welfare spending if you incorporated incentives that really got people off of welfare. The spending would be automatically capped.

Finally, a few ideas from a citizen of the United States who doesn't even have a stake in this! Do not make people destitute before they can collect some assistance.

(1) **Day care:** Single mothers in particular need day care. I think this could be more readily accomplished at a local level where the community becomes a stakeholder in the "welfare" of the children and the employment or education of the woman.

(2) **Medical Benefits:** I know first hand that there are single mothers out there who stay on welfare only because they would not have medical coverage if they worked. Figure that out and alot of people would work.

(3) **School Lunches:** I can't believe that you're even considering this as a possible cut back (basic nutritional needs for children). To me this is as about out of touch as providing low income families a tax break for the purchase of lap-top computers.

(4) **ERA:** Pass the Equal Rights Amendment. I know this sounds old, but it certainly is a radical notion, isn't it. Here's a thought. Why are single mothers the poorest group in the U.S., and the counterpart father not nearly as destitute. Because, not only is she taking care of the children, but on less than what the man could make!

Please, do the right thing!

Respectfully submitted,



Cindy J. Backlund  
606 B Griffin St.  
Santa Fe, NM 87501  
(505) 820-6508



**STATEMENT OF ELOISE ANDERSON  
DIRECTOR  
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES**

My name is Eloise Anderson and I am the Director of the California Department of Social Services (CDSS). The CDSS wishes to express its appreciation for the level of Congressional interest being shown for problems and issues in the administration of the SSI/SSP program. Given the growing number of recipients of SSI/SSP disability benefits in California, your interest and concern are welcome and shared by the CDSS. Following are suggestions for legislation and other reforms that we feel would cause significant improvement to the program. We are advocating these changes in federal law and administrative practices to improve the integrity of the program.

**ELIMINATION OR MODIFICATION OF CASH PAYMENTS OF  
SSI/SSP BENEFITS FOR DISABLED CHILDREN**

Federal law requires SSI/SSP disability benefits for children to be paid in the form of cash grants, as are all other SSI/SSP benefits. There have been allegations presented to Congress and the Social Security Administration (SSA) that some parents use the recipient-child's SSI/SSP funds for purposes other than meeting the child's needs. California proposes the elimination of cash benefits for disabled children. In lieu of cash benefits, other alternatives such as the modification of Medicaid or the use of vouchers should be explored.

California urges that Congress fundamentally change cash grants to children while at the same time providing alternatives that ensure access to services for disabled children. These options should safeguard services and result in cost savings to state and federal governments.

**IMPLEMENT TIME LIMITATIONS ON PAYMENT OF  
SSI/SSP DISABILITY BENEFITS**

Current federal law provides medical improvement as the test for determining whether a disability recipient is still disabled. There is no time limit placed on the period that an individual may receive benefits. At the time of adjudication, a decision is made as to whether the individual's medical condition is expected to improve, may possibly improve, or is not expected to improve. Federal law requires that a continuing disability review (CDR) be done at least every three years for nonpermanent impairments. However, unless a timely CDR is performed, the recipient can continue to receive SSI/SSP benefits indefinitely despite having an impairment that may have improved sufficiently to allow a resumption of substantial work activity.

Currently, over one-third of all allowed disability claims are based on medical impairments that are expected to improve. In 1989, SSA placed a moratorium on CDRs and allocated its limited resources to servicing the escalating number of initial disability applicants. Since that time, only a very limited number of CDRs have been reviewed: Nationally in federal fiscal year 1994, 10,743 SSI/SSP CDRs were processed. Unless an individual reported medical improvement or returned to work activity with reported income, SSI/SSP payments would continue to be provided. Although California has recently resumed CDRs on a limited basis, there is a national backlog in excess of one million overdue SSI/SSP medical reviews. Hence, many individuals continue to receive SSI/SSP benefits long after their medical conditions have improved sufficiently enough to resume work activity. States, like California, that are experiencing difficult economic times cannot afford to bear these unnecessary costs, and neither should the federal government.

California recommends that time-limited benefits be imposed on individuals who have impairments that are expected to improve. Individuals with temporary rather than life-long impairments will know exactly how long their benefits will be available, and can plan accordingly. The duration of entitlement would depend on the nature of the impairment. The SSA already has the structure in place to make such determinations as it has developed a list of impairments where medical improvement is expected. These are known as "MIE" cases. This measure would significantly decrease the number of beneficiaries who continue to receive federal and state monies inappropriately.

California believes that time-limited benefits will allow better services to the SSI/SSP population. Given SSA's staffing and funding limitations, more resources would be available for processing initial SSI/SSP disability applications and the remaining CDRs.

#### IMPLEMENT MORE STRINGENT CRITERIA FOR EVALUATING SSI/SSP RECIPIENTS' CONTINUING DISABILITY

In 1984, federal law substituted "medical improvement" for "current severity" as the test for determining whether a recipient is still disabled at the time a continuing disability review (CDR) is done on his/her case. Under the previous rules, benefits could be ceased if the CDR established that the recipient was not currently disabled using the same standards as applied to initial applications. Under the 1984 implementing regulations, even if it is established that the initial disability decision was questionable, we cannot terminate an individual's SSI/SSP benefits unless there has been medical improvement in the recipient's condition. Thus, a person who may have been inappropriately granted eligibility on the basis of a questionable or minor impairment, or on the subjective decision of an administrative law judge, can continue to receive benefits if that impairment still exists at the time of the CDR. The medical improvement review standard (MIRS) has resulted in an inequitable disability standard in which a recipient may continue to receive monthly payments for the same impairment that an initial SSI/SSP applicant would have been denied benefits.

Before the implementation of the MIRS, about 35% of CDRs resulted in termination of SSI/SSP benefits, while currently only 10% of those who initially qualify are ever removed from the disability rolls. Once receiving SSI/SSP benefits, there is little incentive for recipients to attempt to return to substantial work because few are ever terminated. This has placed an inordinate burden on both the state and federal funding programs. Hence, California strongly urges Congress to establish a modified "current severity" criteria for the evaluation of continuing disability. While the MIRS should remain the main criteria for evaluating CDRs, an additional step should be included in the review process. California recommends that SSI/SSP benefits be terminated if the adjudicative team determines that the initial decision was not supported by objective findings and the impairment is not currently severe.

#### IMPLEMENT MORE STRINGENT CRITERIA FOR DISABILITY BASED ON MENTAL IMPAIRMENT

In August 1985, the mental impairment criteria in the federal disability regulations were liberalized. The intent of the revised regulations was to more realistically reflect the effect of functional limitations caused by a mental impairment. Unfortunately, the implementation of the law has resulted in a subtle shift in reliance from objective to subjective evidence. Since that time, there has been a significant increase in the number of approved SSI/SSP claims involving a mental impairment. In 1993, approximately 50% of all approved SSI/SSP claims had a mental impairment as the primary diagnosis. The more liberalized mental impairment criteria has allowed many individuals with mild anxiety or slight behavioral or maladjustment problems to become eligible for benefits. It has also resulted in increased reports that claimants can easily exaggerate their symptoms. As previously indicated, it is difficult to remove such individuals from the disability rolls unless clear medical improvement can be documented.

California recommends that consideration be given to initiating more stringent criteria for affective disorders, anxiety-related disorders, and personality disorders. Many individuals with such impairments do retain the ability to work, but are not motivated to seek employment when disability benefits can be so easily obtained. Given the large number of SSI/SSP applicants in California who allege mental impairments, we believe that a stricter standard will significantly reduce the number of questionable allowances.

## ELIMINATION OF DRUG ADDICTION AND ALCOHOLISM AS QUALIFYING DISABILITIES FOR SSI/SSP BENEFITS

The number of individuals qualifying for SSI/SSP on the basis of drug addiction or alcoholism (DA/A) has been a growing concern in California. There are currently 31,000 SSI/SSP recipients in California whose primary disabling condition is DA/A. That number is growing by as much as eight thousand annually.

Even prior to the recent amendments to SSI/SSP DA/A law, the express intent of federal statute was to require recipients to undergo appropriate treatment in order to maintain their eligibility. In theory, their disability was also to be reviewed within a year or two of entitlement for evidence of medical recovery. But what CDSS found was that the Social Security Administration (SSA) would waive the requirement for treatment if local treatment facilities were unavailable or inappropriate. Such facilities could be deemed inappropriate or unavailable if the DA/A recipient was merely required to pay for transportation to the facility or make a nominal co-payment for treatment. Furthermore, the SSA had imposed a several-year moratorium on continuing disability reviews so that even if the DA/A recipient underwent treatment, his disability was not reviewed for possible recovery. We have yet to see if the new law's attempt to force implementation of old law's basic intent will meet with any greater success.

California's position is that SSI/SSP payments provide a source of cash which, too often, is used to feed the addiction of the DA/A recipient. As such, the SSI/SSP payments provide an incentive for the drug addict or alcoholic NOT to recover from their addiction. California recommends the elimination of this cash incentive by excluding drug addiction or alcoholism from being considered in the disability determination for SSI/SSP eligibility.

## RESTORE STATE CONTROL THROUGH THE ELIMINATION OF BOTH THE PASS ALONG AND ADMINISTRATIVE FEE REQUIREMENTS

Since the Committee is wisely examining SSI/SSP issues within the context of the *Contract with America*, I would like to take this opportunity to point out an overriding concern with federal laws that inappropriately restrict the states' control over their own SSP programs. The primary offenders are the federal "pass-along" law (Section 1618 of the Social Security Act) and the administrative fees law (Section 1616 of the Social Security Act).

The pass-along law was originally enacted in 1976, two years after forty-three states agreed to provide SSP benefits to all SSI recipients under assurances from the federal government that the states would be permitted to control their SSP costs. Contrary to those assurances, enactment of the pass-along law took SSP fiscal control away from the states by directly linking a state's federal Medicaid funding to its maintenance of certain minimum SSP levels. The 1976 law set states' minimum SSP levels at their December 1976 amounts. The law was enacted to prevent states from reducing their SSP rates when a federal increase was provided in the SSI payment standard. While the states objected to enactment of the original pass-along law, they vociferously protested the 1983 amendment that raised the SSP rate "floor" to the levels paid in March 1983. This amendment not only further reduced states' control over their own SSP expenditures but, in California's case, locked the state into SSP rates that reflected generous SSP increases voluntarily provided from 1976 to 1983.

Therefore, SSA interprets the pass-along law as also precluding states from consolidating their SSP payment categories and, thus, from simplifying SSP program administration by SSA. This issue carries a multi-million dollar annual price tag for California since, effective October 1993, federal law requires states with federally administered SSP programs to pay an administrative fee to SSA. I must emphasize that the legislative history of the laws enacting SSI show the clear intent of Congress to encourage states to supplement the federal SSI payment by allowing for federal administration of the state supplement at no cost to the states. Despite this commitment made to the states, the administrative fees law was enacted and currently the fee is \$3.33 for every check issued; the fee will increase to \$5.00 per check on October 1, 1995.

This year, California will pay more than \$60 million in administrative fees. But of even greater concern is the fact that the fee schedule calls for payments to increase in the future based, in part, on the administrative complexity of a State's program. California would obviously like to simplify its program and reduce its administrative costs by consolidating its nearly twenty payment categories into fewer variations. Ironically, the state is prevented from doing so by SSA's interpretation that the pass-along law requires maintenance of a state's existing SSP variations. This unfairly penalizes states with complex SSP programs which, due to federal restrictions, are unable to streamline or simplify. While California objects to the entirety of the pass-along law, California believes SSA's interpretation goes well beyond the law's express intent.

The pass-along law denies states the flexibility needed to simplify and control SSP programs, or to adjust SSP grants to affordable levels in times of economic difficulty. The administrative fees law further reneges on the original commitments that the federal government made in its efforts to entice states to augment the SSI benefit. Surely these broken promises are contrary to the welfare reform philosophy and wisdom expressed in the *Contract with America* concerning responsibility, accountability and expanded flexibility to states.

California respectfully proposes repeal of the pass-along law and the repeal of the SSP administrative fees law.

#### SUMMARY

California urges Congress to support the proposals detailed in this statement of testimony. In summary, the following are proposed:

- Eliminate or modify the cash payments of SSI/SSP benefits for disabled children while providing services to children with disabilities at reduced costs to both the state and federal governments.
- Implement time limits on payments of SSI/SSP disability benefits.
- Implement more stringent criteria for reevaluating SSI/SSP recipient's continuing disability.
- Implement more stringent criteria for disability based on mental impairment.
- Eliminate drug addiction and alcoholism as qualifying disabilities for SSI/SSP benefits.
- Restore state control through the elimination of the pass-along and administrative fee.

**STATEMENT OF GORDON CHIN  
EXECUTIVE DIRECTOR  
CHINATOWN RESOURCE CENTER AND THE  
CHINESE COMMUNITY HOUSING CORPORATION**

I would like to thank the Committee for the opportunity to submit my comments and express my deepest concern over proposed legislation, such as Title IV of HR4, the Personal Responsibility Act, that would ban legal immigrants from access to vital federal assistance and social services. If such proposals are passed, it would have a devastating impact on America's low-income, ethnic communities throughout the entire country - neighborhoods with a large immigrant population such as ours: San Francisco's Chinatown.

OUR ORGANIZATIONS: CHINATOWN RESOURCE CENTER & CHINESE COMMUNITY HOUSING CORPORATION:

The Chinatown Resource Center (CRC) was established in 1977 by five grassroots organizations that evolved in the late 1960s and early 1970s to address the growing needs of San Francisco's Chinatown immigrant community: These include the need for sufficient safe, decent low and moderate income housing, better recreational facilities, more open space, adequate community space, and improved vehicular and pedestrian access.

Over the years, CRC has become a leading Chinatown neighborhood organization, advocating for the community's involvement in public policy decisions, planning for the neighborhood's future development, serving as a "watchdog" over private development, and implementing literally hundreds of neighborhood environmental projects by improving streets, alleyways, community centers, playgrounds, public transportation, and housing.

In 1978, CRC established the Chinese Community Housing Corporation

(CCHC), its subsidiary housing development arm, to integrate housing development activities into the overall neighborhood improvement strategy. CCHC has played a major role in the development of over 2,300 units of long-term, affordable, quality housing within San Francisco.

Together, the two organizations, sharing one Executive Director, have grown over the past 17 years from a fledgeling organization with a staff of three to a combined total of over 80 personnel, with nearly 40 people comprising the two governing boards, and an active volunteer base of over 100 people serving on organizational committees and assisting in programs and at events. Financially, the combined CRC and CCHC administrative budgets have grown to over \$2 million with CCHC housing project budgets exceeding \$2.5 million annually.

#### CLIENT-BASE AND IMPACT:

Approximately one-quarter of CRC's budget and a third of CCHC's budgets are funded from federal sources such as Community Development Block Grants (CDBG) and federal subsidized housing programs such as Section 8 Low Income Housing Assistance, Section 202 Senior Housing, and HOME Programs.

This funding enables us to provide a well-managed, safe and stable home with tenant services for over 1,500 low- or very low-income tenants within the 15 housing projects, or 1,042 units, that CCHC currently owns or manages in San Francisco's Chinatown, North Beach, and Tenderloin neighborhoods. Nearly 200 of our tenants are children, and almost 40% are seniors.

It is a diverse community made up of Asians, African Americans, Hispanics, Native Americans, and Caucasians. Many of our tenants are immigrants from Asia and the former Soviet Union, who are struggling with language problems. As a result, they are often confined to working long hours in low-skilled, low-wage jobs, with little or no mobility. Job training and ESL classes are critical to help raise the economic opportunities of these immigrant families and individuals. As important is the continuation of immunization and nutrition programs, school lunches and

preventive health care for their children so that these children may develop healthily and be productive members of society.

Among our seniors, many rely on SSI as supplemental income because their social security benefits are not sufficient to allow them to live and eat. For some, SSI is their sole source of income because, despite their having worked and paid taxes to the American government, they have been in the United States for too short a period of time to qualify for social security benefits.

The proposed program cuts and the denial of federal assistance and social services to legal immigrants under the Personal Responsibility Act, therefore, would have a profound impact on the lives of our tenants, rendering them homeless and hopeless through no fault of their own. Beyond the 1,500 low-income tenants living in our affordable housing projects, the Personal Responsibility Act will have a significant impact on Chinatown's low-income, immigrant community that we care about.

#### HISTORY AND CONTRIBUTION OF THE CHINATOWN COMMUNITY:

One of the most long-standing, stable neighborhoods in this country, San Francisco's Chinatown was founded by Chinese immigrants in the 1800s, and over generations of struggle and strive, it has been regenerated and stabilized by the influx of new immigrants.

Chinatown began as a haven for early Chinese immigrant workers who were segregated by discrimination and cut off from their families in China through anti-immigrant public policies such as the enactment of the Chinese Exclusion Act of 1882 and other Asian exclusion laws. After the earthquake and fire of 1906 which completely destroyed the neighborhood, its Chinese residents quickly rebuilt their neighborhood in the same spot despite attempts to remove and relocate them elsewhere. Because of immigration restrictions, the community began to shrink until the repeal of the Chinese Exclusion Act and immigration reform laws in the

1960s allowed new Chinese immigrants to enter the United States to reunite with their family members. These new immigrants have regenerated and maintained the stability and health of the Chinatown neighborhood.

Today, Chinatown plays an important role within San Francisco's economy as a major tourist destination. Tourists are attracted to Chinatown not just for its restaurants and specialty shops, but by the vibrancy and activity of its residential life. It is the people who live and work within the community, who are immigrants, who help support and establish neighborhood businesses that add to the overall richness of the community.

Just as Chinatown has enhanced the City's tourist trade and sales tax base, the neighborhood's immigrant community has contributed greatly to the American society. They work and pay taxes, they send their sons to war, they create jobs through their neighborhood businesses, they volunteer their services to the community and to society, and for the many seniors who live in our community, they take care of their grandchildren to allow both parents to work and contribute to the tax base.

Whether community members are citizens or not does not take away their contributions to American society. For many in our community, the naturalization process is a difficult one and at times, insurmountable. Many work long hours to support their families and do not have time or opportunity to take English classes or citizenship classes.

The harsh reality is that often in our community, the father spends his life working in the hot kitchen of a Chinese restaurant 12 hours a day, six days a week, and the mother is employed as a seamstress getting paid a few cents for each piece that she sews, sometimes bringing home piecework so that she can look after her children and continue to earn a little more money. The parents have no choice. Their sacrifices are for their children, so that their children might be educated and be able to lead a better life.



This is the story of one of my staff whose parents labored for over 25 years in a restaurant and behind a sewing machine, supporting a family of four. Her parents might not have gotten their citizenship, but their work ethics and the values they instill in their children to pursue higher education, which they achieved, are universally upheld in American society.

We have also found that the standard ESL classes or even the citizenship classes offered in one's own dialect are not effective for immigrants who not only do not speak English but are illiterate in their own language. The difficulty is that these standard citizenship classes are taught with written material, that require students to be able to read in their own language. Many of our seniors, unfortunately, are illiterate.

Recognizing this problem, the Chinatown Community Tenants Association (CTA) with the technical assistance of CRC has started its own citizenship classes that teach seniors who might be illiterate through the method of recitation. CTA is a 600 strong member association of primarily elderly, monolingual Chinese-speaking residents that CRC helped organized. CTA has emerged as one of the most active tenant groups in San Francisco. Despite the English limitation of its board and members, CTA is able to empower themselves to address community needs.

Began a year ago, CTA's citizenship classes have received great response, with elderly students traveling long distances across the Bay to attend classes. Most of the students are over 65 and all of them have been in the United States for over 15 years. This demonstrates that the difficulty of the naturalization process might have thwarted many legal immigrants from becoming citizens.

Many of our seniors immigrated to the United States so they can be with their family. It is often difficult for them, at their age, to adapt to the foreign circumstances of their new environment. The difficulty is more pronounced given their inability to speak the language. Therefore, many want and need to live in Chinatown where the environment is more familiar and they can receive the social services that are

linguistically and culturally appropriate for them.

They have strong civic pride in their community, as evident by the strength of leadership of the Chinatown Community Tenants Association. Because of their age and language difficulties, they cannot find a job, although they might want to work. Therefore, they are reliant on public assistance. However, they contribute back to society, such as taking care of their grandchildren or volunteering for their community.

This is the situation of one of our elderly volunteers. He is 69 year old and came to the United States four years ago to be closer to his daughter. She and his brother-in-law, both in the United States, are the only living relatives that he and his wife have. Although he was a professional engineer back in China and could speak English, he has been unable to find a job here given his age. He had even applied to shelf books in the library, but was turned down.

His wife and he barely subsist on general assistance and food stamps. Eighty percent of the general assistance is used to pay the rent. To "repay" the government for the assistance, he volunteers his time to the community, to the library and to our office, offering his professional expertise in engineering to assist in our programs.

Such are the real people that will be hurt should the Personal Responsibility Act go through. This proposal will dismantle the entire fabric of whole communities by removing the safety net for those who are truly in need. The result is the expansion of the underclass and the rise in social costs. In the end, America will suffer by such unfair and discriminatory policies that would pit people against one another based on their citizenship status, disregarding what is right and just. We must not forget that immigrants built this country and that our forbears were also immigrants. And that government has the fiduciary responsibility to care for its people and invest in the future of all its children.

**TESTIMONY OF JILL MILLER  
COALITION ON WOMEN AND JOB TRAINING**

Mr. Chairman, on behalf of the Coalition on Women and Job Training I am pleased to submit this statement for the record. The Coalition on Women and Job Training is committed to ensuring that all women, both those already in the workforce and those entering or re-entering, have access to quality education and training for high wage jobs. We represent millions of women who are working and/or are in need of employment and training services. We also represent the expertise of professionals throughout the United States who have years of experience in providing employment and training services for women.

The Coalition has developed principles guiding our advocacy on education, training, and support services for women receiving public assistance benefits. Our overriding concern is that the services provided assist women to achieve long-term economic self-sufficiency rather than simply remove them from public assistance. The principle of long-term economic self-sufficiency for women and their families is the key to a successful welfare reform effort. We strongly believe that any welfare "reform" that simply cuts women and their children off welfare will only exacerbate poverty and homelessness.

Education and training services must be a vital part of welfare reform. The average AFDC mother is 29 years old, has two children and four years of work experience. But because of limited skills and education, these women have often been limited to low wage jobs that are either part time or temporary. Many single mothers use welfare as a source of income between jobs because they do not qualify for unemployment insurance. Many are ineligible for unemployment because they earn wages that are too low or because they are part time workers. Others are forced to rely on welfare when they are temporarily disabled and unable to work. Many women, caught in the low wage labor market, are pushed back onto welfare when a job ends or child care arrangements fall through. And even more discouraging, is the lack of health care they face in these part time, often temporary positions.

When an investment is made in quality education and training for welfare recipients, they are able to upgrade their skills and are much less likely to return to the welfare rolls. Armed with the skills necessary for our rapidly advancing workplace, women can obtain employment that will pay adequate wages to support their families.

There are several essential components that must be a part of any welfare reform effort in order to successfully challenge these barriers that recipients face towards long-term self-sufficiency.

Once the commitment is made to invest in education and training, avenues to gaining access to these services must be initiated. This includes providing a variety of assessment tools, the opportunity for the individual to develop education goals and a career-life plan, counseling, knowledge of workers' rights, and participation in support groups. These programs should be required to encourage and promote opportunities to pursue training for high wage occupations, including nontraditional occupations. Rather than steering participants down a career path that may disappear or change drastically, participants should fully understand all aspects of the industry they are entering and its future potential.

These programs should focus on the goal of enhancing the employability and/or increasing the earnings of participants. Work experience components of any program should develop relevant skills, be linked to comprehensive education and training programs and advance the participant's long term employment goals. We will not help recipients obtain private sector employment or help them increase their earning potential by encouraging them to work for benefits. Requiring recipients to "work off" benefits at far below the minimum wage creates an impoverished class of workers who would not enjoy the basic rights to which all other American workers are entitled.

We would also like to emphasize the importance of support services such as child care and transportation for fostering long-term self-sufficiency for participants. It has been proven that welfare recipients cannot succeed in education and training or work unless they receive the support services that they need during program participation and to the extent necessary after entering employment. These services must include health care, quality child care, transportation, housing counseling, domestic violence services, addiction and recovery counseling, adult dependent care, and family support services. Training and education should

be closely coordinated with these services in order to prevent participant dropout.

Child care assistance is critical to program participants and should reflect the true costs of quality child care. If welfare recipients do not receive adequate support for child care, they could be forced to drop out of the program or, even worse, leave their children unattended, in inadequate settings, or call upon other people to provide their care at poverty wages.

These services should not be interrupted by arbitrary time limits. Every welfare recipient should be entitled to pursue and complete appropriate education and training services in order to achieve self-sufficiency.

Current proposals consider denying benefits to teen mothers and their children, legal immigrants, children whose poverty has not been established and other groups. By denying benefits to certain groups, we will incur greater long-term costs by allowing these groups to become completely impoverished. Childhood poverty has already reached epidemic proportions in the United States; such proposals threaten an increase in childhood poverty. This has the potential of costing the country billions of dollars in future working productivity and unemployment.

We would also like to highlight the importance of promoting, rather than penalizing, work efforts. The AFDC system as it currently operates is guilty of this. Reforms should be made to make it easier to combine some paid employment with AFDC receipt by finding ways to allow recipients to retain more of their earnings. Women should not be forced to apply for welfare in order to obtain child care or health care services. Encouraging states to provide comprehensive support services independent of cash assistance can prevent women from being forced onto the welfare rolls.

Finally, we would like to stress the link between federal responsibility and successful welfare reform. The federal role in a welfare system is crucial to ensuring the provision of high quality education and training and support services. The federal government has a responsibility to oversee the entire operation and make sure it is working effectively. States must be required to provide education and training services to welfare recipients. These programs should be adequately funded with improved state match rates to ensure that participants in all states and communities have access to education and training services that ensure self-sufficiency. Education and training is an investment in the work force that can bring many benefits, but only if a true investment for the long-term is made. Performance standards that are focused on outcomes based on a Self Sufficiency Standard should be instituted.

We believe that needy families must be assured that the AFDC program and other safety net programs will be there when they need them. By making these programs discretionary or into block grants, we will make many eligible families unable to receive benefits. When basic safety net programs are block granted, they can no longer serve as an important factor in stabilizing the economy during recessions or other economic dislocations.

Another critical requirement of the federal government in any welfare reform effort is that they must include minimum program requirements to ensure universal elements in all states and equity between recipients from different states. States should only be allowed to develop experimental programs that enhance or enrich services. No welfare recipients or group of recipients should have benefits or options reduced beyond the minimum requirements.

Finally, a strong federal role in research, oversight, technical assistance, and data collection to document success and facilitate replication is absolutely essential. This stipulation is necessary to ensure accountability for public funds. Data should be reported by race, gender, and age and be used by the federal government to protect against discrimination. The privacy and welfare of individuals must be protected in any research or data collection efforts.

Welfare reform offers the possibility of changing the current program from one that does not reward work to a program that fosters an explicit dedication to both personal and economic long-term self-sufficiency. Through comprehensive, federally-supported efforts, we can achieve these goals.

TESTIMONY  
TO THE SUBCOMMITTEE ON HUMAN RESOURCES  
OF THE COMMITTEE ON WAYS AND MEANS  
OF THE HOUSE OF REPRESENTATIVES

January 30, 1995

Nora Johnson  
Coalition to Stop Welfare Cuts  
6433 Nicholson Street, Pittsburgh, PA 15217  
Tel.: home: 412/521-5091, work: 412/462-8408

Ladies and gentlemen of the Subcommittee, thank you for allowing me to submit this statement today. To introduce myself, let me say that I live in Pittsburgh, and have been working since 1988 in both a professional and a voluntary capacity with people who need to use the welfare system to support themselves. Until 1994, I was the Executive Director of the Rainbow Kitchen, a charitable organization which operates a soup kitchen, a food pantry, a free medical clinic and a child care center. I have been a member of the Pittsburgh Presbytery Lazarus Fund, a committee which distributes offerings from congregations to needy households, since 1989. I am a member of the Coalition to Stop Welfare Cuts, a large group of organizations and individuals who have been meeting for several years. Finally, I am about to start work with the East End Cooperative Ministry, a charitable organization funded directly by many religious congregations and denominations. My task there, over the next few months, will be to find private sector jobs for welfare recipients.

Our experience during the last years in the Pittsburgh area has been one of collapse and loss: the collapse of the steel industry followed by 12 years of deindustrialization and job loss. We have seen the dislocation of families, the loss of income, the decline of population and an increase in suicides and marital and family breakups. Soup kitchens and food pantries are found in every neighborhood: the Greater Pittsburgh Community Food Bank serves 370 such organizations in Allegheny County alone. In addition, the Food Bank serves as a central food clearinghouse for 13 outlying counties.

Results of a new study by the organization Just Harvest entitled "Hometown Hunger", released in October, 1994, show clearly what our years of economic decline have done to the weakest among us: 15,000 children under 12 (1 out of 4) are hungry or at-risk in Pittsburgh. 29,500 children under 12 (1 out of 7) are hungry or at-risk of hunger in Allegheny County.

In this world of impersonal economic forces wreaking havoc on people's hopes and dreams, the Personal Responsibility Act segment of the Contract With America is an extreme and unforgiving approach to addressing our country's problems. People need more reliable income to fight their way out of poverty. For most Americans, a job is the most important source of income. If there is no job, there is no income, hence the need to accept public support for a time. Despite the rhetoric of the Personal Responsibility Act, the worst effects of joblessness result from large, societal forces, such as the collapse of industry.

Another cause of unemployment during this last year has been the manipulation of interest rates intended to cool the economy and stem inflation by cutting employment levels. In a very real sense, people have been kept out of jobs by the very government which is now seeking to eliminate welfare support. We are putting people in a terrible catch-22 situation.

The underlying assumption of the Personal Responsibility Act is that poor people are costing the country too much by being irresponsible, having too many children and collecting too much welfare. Welfare recipients share this harsh judgment against themselves. In my years at the Rainbow Kitchen, I never heard anyone speak more unforgivingly against welfare recipients than recipients themselves. The next most harsh judgment I heard was from people who had received welfare at one time but now did not need the benefits any longer. A common attitude I heard was, "If I can get off welfare, anyone can." While I was always glad to hear that someone had succeeded in escaping the system, I frequently wondered how much that person actually knew about the struggles of someone else. Recipients seem to carry such a load of guilt for accepting public assistance that they distance themselves from the experience as soon as they can after leaving it. The

distancing process seems to mean rejection of those still in need of support, and, sometimes, rejection of the whole system.

I believe that the Personal Responsibility Act is based upon a wrong assumption. In fact, it is well documented that poor people do not have any more children than anyone else.<sup>1</sup> Furthermore, why should we begrudge helping poor people who have no other resources when we subsidize businesses, who should be the engine that pulls the rest of the economy? The cost of welfare for poor people is comparable to direct payments to corporations: for example, we spend \$40 billion on food programs for the poor, and \$51 billion on "corporate welfare": direct payments to businesses for a variety of purposes.<sup>2</sup> The cost of welfare is much less significant than other cost categories, such as defense, Social Security and Medicare.

We shape our public policies in the image of our ethical systems. As a Christian, I wish to give that perspective, without, however, implying that members of other faith communities - or none - do not share it.

In assessing the welfare question, as in all things, Christians are called to do two things: love God and love each other. The Personal Responsibility Act, with its harsh and judgmental provisions, does not fulfill the call to love each other. Therefore, the harsh judgment of the Personal Responsibility Act is not acceptable from a Christian point of view. We must turn it down.

The Welfare system does need to be revised, to serve people better while they need benefits and to lift people out of poverty so that they no longer need benefits. Some believe that private charity can take the place of a publicly financed and administered income support system. The suggestion has been made, also from a Christian perspective, that religious groups should become involved and offer private charity to the poor. However, it has been estimated that to replace the benefits that can be offered by a public system, each and every religious congregation in the country would have to contribute \$170,000 annually.<sup>3</sup> As a member of a middle-class, middle-sized congregation whose annual budget is not much more, I do not think the suggestion to be feasible.

Furthermore, any system which aspires to really help people needs to be prepared to offer them money. In-kind donations do not pay the heating bill or the rent or any of the myriad needs which require cash payment. As Director of the Rainbow Kitchen and as a member of the Lazarus Fund, I have seen first-hand the difficulty of administering a system which can accountably distribute money directly. It is much easier to offer free food or even medical care than to hand out money. The federal government is in the best situation to administer social support, better also than state governments, simply because it is larger and can have an equalizing effect on the distribution of benefits.

Constructive suggestions for a benign reworking of the welfare system have been largely absent from the public discussion of the Personal Responsibility Act. On February 24, the Coalition to End Welfare Cuts is holding a community-wide conference in Pittsburgh. Entitled "Real Welfare Reform: Visions for Ending Poverty", the conference was initiated by Congressman William Coyne, Just Harvest, the Mon Valley Unemployed Committee, the Alliance for Progressive Action, First Step Recovery Homes, Mon Yough Center for Substance Abuse, the Thomas Merton Center and Unitarian Universalists for a Just Economic Community.

In the meantime, discussion around remaking welfare into an accountable, humane and supportive system has been developing. I offer two drafts, quoting them in their entirety. Thank you for considering them, as well as my remarks.

### 1. Religious Leaders Speak Out About Welfare Reform

As people of faith and religious commitment, we are called to stand with and seek justice for people who are poor. Central to our religious traditions, sacred texts, and teachings is a divine mandate to side with and protect poor people. We share a conviction, therefore, that welfare reform must not focus on eliminating programs, but on eliminating poverty and the damage it inflicts on children (who are 2/3 of all welfare recipients), on their parents, and on the rest of society.

<sup>1</sup>"Legislative Background: Basic Facts about AFDC", Lutheran Office for Governmental Affairs, 1994.

<sup>2</sup>"Aid for Dependent Corporations", Center for Study of Responsive Law, Jan., 1994.

<sup>3</sup>Bread for the World.

We recognize the benefit to the entire community of helping people move from welfare into the job market when possible and appropriate. We fear, however, that reform will fail if it ignores labor market issues such as unemployment and an inadequate minimum wage and important family issues such as the affordability of child care and the economic value of care-giving in the home. Successful welfare reform will depend on addressing these concerns as well as a whole range of such related issues as pay equity, affordable housing, and the access to health care.

We believe that people are more important than the sum of their economic activities. Successful welfare reform demands more than economic incentives and disincentives. It depends on overcoming both biased assumptions about race, gender and class that feed hostile social stereotypes about people living in poverty and suspicions that people with perspectives other than our own are either indifferent or insincere. Successful welfare reform will depend ultimately upon finding not only a common ground of policies, but a common spirit about the need to pursue them for all. The following principles neither exhaust our concerns nor resolve all issues raised. The principles will serve nonetheless as our guide in assessing proposed legislation in the coming national welfare debate. We hope they may also serve as a rallying point for a common effort with others throughout the nation.

An acceptable welfare program must result in lifting people out of poverty, not merely in reducing welfare rolls. To achieve this we believe Welfare Reform must...

***Provide adequate benefits.*** The federal government should define minimum benefit levels of programs serving low income people below which states will not be permitted to fall. These benefits must be adequate to provide a decent standard of living.

***Create family-sustaining jobs.*** Welfare reform efforts designed to move people into the work force must create jobs that pay a livable wage and do not displace present workers. Programs should eliminate barriers to employment and provide training and education necessary for inexperienced and young workers to get and hold jobs. Such programs must provide child care, transportation, and other ancillary services that will make participation both possible and reasonable. If the government becomes the employer-of-last-resort, the jobs provided must pay a family-sustaining wage.

***Remove disincentives to work.*** Disincentives to work should be removed by allowing welfare recipients to retain a larger portion of wage earnings and assets before losing cash, housing, health, child-care or other benefits.

***Increase flexibility.*** Work-based programs must not impose arbitrary time limits. If mandated, limits must not be imposed without availability of viable jobs at a family-sustaining wage. Even then, some benefits recipients cannot work or should not be required to work. Exemptions should be offered for people with serious physical or mental illness, disabling conditions, responsibilities as caregivers for incapacitated family members, and for those primary caregivers who have responsibility for young children.

***Provide simplification and "one-stop shopping" for benefits.*** Welfare reform should result in a program that brings together and simplifies the many efforts of federal, state and municipal governments to assist persons and families in need. "One-stop-shopping centers" should provide information, counselling, and legal assistance regarding such issues as child support, job training and placement, medical care, affordable housing, food programs and education.

***Exclude no Child.*** Welfare reform should acknowledge the responsibility of both government and parents in seeking the well-being of children. No child should be excluded from receiving benefits available to other siblings because of having been born while the mother was on welfare. No child should be completely removed from the safety net because of a parent's failure to fulfill agreements with the government. Increased efforts should also be made to collect a proper level of child support assistance from non-custodial parents.

***Be adequately funded.*** Programs designed to replace current welfare programs must be adequately funded. It must be recognized and accepted that these programs will cost more in the short-term than the present Aid to Families with Dependent Children Program. However, if welfare reform programs are successfully implemented, they will cost less as the number of families in need of assistance diminishes over the long term. In financing this effort, funding should not be taken from other programs that successfully serve poor people.

-InterfaithImpact Foundation: 202/543-2800  
110 Maryland Avenue, Washington, DC, 20002

## **2. Welfare Reform: A Need For More Than Campaign Rhetoric**

The current system of public support in this nation is one that not only fails to provide adequate support to those who are without any other form of income but it creates a powerfully divisive force in this society that is struggling in a period of great transition. But the problem is compounded by the current wave of welfare bashing. The two major parties are engaged in a game of "who will cut the deepest", not wanting to be seen as supporting "lazy individuals" who corrupt traditional "family values". This broad spectrum approach is damaging. While there are problems with the current system of public support, the persons receiving support are not a group of moral degenerates working collectively to bankrupt the nation.

The current system could be replaced using the following *principles*:

- Insure that all families with children have access to adequate income (above the established poverty line) -when they need it;
- Extend federal income support to individuals without children who do not qualify for existing programs such as SSI or Social Security;
- Guarantee medical coverage and childcare to all, not only to those who can afford it;
- Allow families to lead dignified lives, not stigmatized lives;
- Provide income and not directives on the "desired" behavior of individuals;
- Make a wide range of education and training activities that lead to decent paying jobs available to families;
- Provide jobs for those able to work. There should be incentives leading to the creation of an adequate number of jobs with adequate pay and benefits.
- Full employment must become a national priority.

These broadly stated principles could easily be worked into either the existing law, the Family Support Act of 1988, or into the framework of true welfare reform. These principles are based upon the predominant cultural traditions of the United States -the Judeo-Christian values espoused in political campaigns and school board meetings. These principles offer an attempt to create a reform that will revitalize many families and individuals through the vehicle of self worth and dignity.

9/22/94

-Coalition to Stop Welfare Cuts:  
c/o Just Harvest, 412/464-0739  
120 East 9th Avenue, Homestead, PA 15120



**TESTIMONY OF JAMES M. LAFFERTY  
SUPERVISING ATTORNEY, COMMUNITY LEGAL SERVICES, INC.  
PHILADELPHIA, PA**

**Subcommittee on Human Resources  
House Ways and Means Committee  
January 27, 1995**

I am a supervising attorney at Community Legal Services, Inc., in Philadelphia, Pa., where I concentrate in the representation of clients in their problems concerning public benefit matters, especially eligibility for Supplemental Security Income ("SSI") from the Social Security Administration ("SSA"). I make this statement on behalf of our numerous clients who are applicants for, and recipients of, SSI benefits, and on behalf of Action Alliance of Senior Citizens of Greater Philadelphia, an advocacy group for the rights of older persons in the Philadelphia area.

The Personal Responsibility Act ("PRA"), among other things, would make drastic cuts in the Supplemental Security Income (SSI) program for elderly and disabled persons who are poor. These individuals are among the most vulnerable in our society and can least afford the reduction or elimination of their SSI benefits. Any reduction in SSI benefits would have a catastrophic impact on our clients' lives. Our clients depend on their SSI checks to pay for their basic living expenses, including food, shelter, and clothing. Any cuts in the relatively modest amounts of their SSI checks would mean the literal loss of their homes and other basic needs. Among the changes which the PRA would make would be to eliminate the entitlement status of SSI and impose a spending cap on SSI. For the reasons given herein, we strongly oppose these proposed cuts.

**I. Overview of the SSI program.**

SSI, administered by SSA, is a federal program providing cash assistance to low-income persons who are age 65 or older, blind, or disabled, and who meet strict income and resource requirements. SSI was established in the early 1970s to establish uniform national standards and to replace individual state programs which had provided disparate assistance to aged, blind, and disabled persons.

Nationally, in 1994, about 6 million elderly, blind, and disabled poor people received SSI. Of these, about 35% were age 65 or older, 52% were blind or disabled adults under age 65, and 13% were blind or disabled children. In Pennsylvania, about 245,000 persons received SSI in 1994, including about 43,000 people who were age 65 or older, 2,800 people who were blind, and 199,000 people who were disabled. In 1993, about 27,000 residents of Pennsylvania were awarded SSI benefits for the first time.

In 1995, the maximum federal SSI benefit is \$458 for an individual and \$687 for an eligible couple. Even with these benefits, SSI beneficiaries still live at an income below the poverty level. Although the SSI program was originally intended to reach the poverty line, SSI payments have never risen to that level. The current benefit level represents only 75% of the poverty line for an individual and 90% for a couple.

The SSI benefit amount is reduced by other income received by the recipient. In June 1994, the national average monthly SSI amount was \$321.42, which is less than the full benefit rate. In

Pennsylvania, the average SSI benefit amount was \$338.51. Almost one-half of all SSI beneficiaries, about 48%, receive income from other sources, including Social Security benefits, averaging \$320 per month. These persons are eligible to receive sufficient benefits in SSI to bring them up to the SSI federal benefit rate. About 2.4 million persons, almost 40% of all SSI recipients, receive Social Security benefits in addition to their reduced SSI checks. In Pennsylvania, over 69% of the recipients age 65 or older receive Social Security benefits, meaning that they receive only a partial SSI check each month.

Women and older persons are especially helped by the SSI program. Overall, women comprise nearly 60% of all SSI recipients and 73.8% of recipients age 65 or older. Many of the women who are SSI beneficiaries spent much of their lives raising children and/or laboring at jobs such as domestic work where the employers did not withhold Social Security taxes. In addition, many women are the widows of men who had relatively low earnings when they were living and thus their widows qualify for only very low amounts of Social Security widows' benefits. They therefore depend heavily on SSI benefits to maintain a subsistence level of income. In addition, 79% of all aged SSI recipients are age 70 or older, 54% are age 75 or older, and 35% are age 80 or older.

## **II. Effects of the Proposed Cuts in the SSI Program.**

Under current law, every person who meets the eligibility criteria for SSI is entitled to receive monthly SSI checks. The federal government is required to provide the funds so that every eligible person receives the amount of SSI to which they are entitled.

If a federal spending cap is imposed and the entitlement status ends, eligible individuals no longer would have a right to receive SSI benefits. Each year, Congress would appropriate a set amount of money and SSI would become a "discretionary" program. When the appropriate funds are exhausted each year, no benefits would be available to otherwise eligible elderly and disabled poor people.

We anticipate that these cuts would have a devastating impact on SSI applicants and beneficiaries. For example, SSA would not take applications from eligible individuals once funds were exhausted. In addition, eligible elderly and disabled persons would be placed on waiting lists. Benefits to current recipients of SSI could be reduced, and cost-of-living adjustments could be reduced or eliminated. Ultimately, more persons would become homeless or would remain in institutions due to the loss or unavailability of SSI benefits.

For all of these reasons, we vigorously oppose any proposal which would end the entitlement status of the SSI program. Too many elderly and disabled poor persons would suffer tremendously from such cuts in this important program.

Thank you for the opportunity to present this written statement concerning the SSI program.

**TESTIMONY OF JONATHAN M. STEIN  
COMMUNITY LEGAL SERVICES, INC.**

Thank you Chairman Shaw and Members of the Subcommittee. My name is Jonathan M. Stein and I am General Counsel at Community Legal Services, Inc. in Philadelphia. Our office brought the Zebley national class action case that put the children's SSI program back on the right track after almost 20 years of denials of SSI to 600,000 children-- denials a very conservative Supreme Court in 1990 found in violation of the Social Security Act because Social Security was not providing fair and realistic evaluations of childhood disability as they had been doing for adult disabilities.

Since the Rhenquist Court's 7-2 decision, our office has been deeply immersed in the monitoring of the SSI childhood disability program. We maintain and staff a toll free "800" number to answer questions from parents and others who have questions about the childhood SSI program or their cases in particular. We also have participated in the national Children's SSI Campaign, along with the Bazelon Center for Mental Health Law, the San Francisco Youth Law Center and Rural Legal Services of Tennessee. The purpose of this privately funded campaign,<sup>1</sup> complementing congressionally and court mandated national outreach campaigns, was to publicize the change in the program and encourage eligible families to apply. We are proud that our joint efforts have played a part in increasing new childhood SSI applications resulting in about 850,000 children receiving SSI benefits. With 1 to 1.5 million children estimated eligible, the program is still not reaching many disabled children.

We would estimate that through our hotline and outreach activities we have been in contact with 10,000 children and families alleging disabilities. Many of these children were unjustly turned down for SSI benefits (and the accompanying Medicaid) and have had their cases readjudicated. Ironically the impairments that led to their death were deemed not sufficiently severe to justify an award of SSI!

My colleague and Zebley national class co-counsel, Richard Weishaup, spoke at your October 14, 1993 Subcommittee hearing of the 1990-1993 successful implementation history. At that hearing, in particular, you heard that about 135,000 children were added to SSI solely on the basis of readjudications of old denials, 1980-1990. This was a one-time phenomenon, which explains over 25% of the growth of those on children's SSI. (Note that about 145,000 readjudicated claims were also denied from this prior period.<sup>2</sup>) Also, significantly, in light of your hearing notice then asking for testimony on unconfirmed reports of alleged abuse in the program, you did not hear of even one case of a healthy or normal child improperly receiving SSI.

The SSI childhood program is now being criticized for succeeding: doing justice to illegally denied children, conducting an effective outreach campaign and making the program more available to working poor, blue collar and lower middle income families. One can, I suppose take issue with these objectives but, opponents should at least acknowledge why the program has grown, and why the rate of growth is likely to taper off, given the one time nature of these factors. To do otherwise is to engage in the basest form of demagoguery at the expense of children with disabilities.

The SSI child disability program has been an extraordinary success which this Congress should be proud of. Consider the Ohio teenager, Nathan Guyer, with severe Attention Deficit Disorder,

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<sup>1</sup> The Campaign has been funded by the Robert Wood Johnson Foundation, The Nathan Cummings Foundation, The Annie E. Casey Foundation and the Pew Charitable Trusts.

<sup>2</sup> Source: SSA Zebley Court Quarterly Summary Report, December 8, 1993.

seizures, and various learning disabilities, who could not read or write, and was functioning at a first grade level. He was deemed "uneducable" by a special education teacher, denied books and told by teachers that he was never going to be able to read. When he developed a plan for his suicide he was hospitalized for 2 weeks.

With the SSI, Nathan's mother enrolled him in a special school for learning disabled children and those with Attention Deficit Disorder, and in a short time he excitedly told his mother, "Mother, I'm a learning machine." He can now read at his age level, and plans to be a scientist to "save the rainforests." He had earlier aspired to a lawn care job because he thought it was a way to make a living without being able to read. Nathan is beginning to write a book, "The Gift of Understanding," to help "other kids to understand ADD" and in his mother's words, "understand that they are not alone."

Every program, public or private is occasionally subjected to criticism by people who allegedly know a neighbor who gets benefits and doesn't deserve them. The problem with these facts is that they are irrefutable in their anonymity. No one is naive enough to think that an agency as large as Social Security does not make occasional mistakes but they try very hard to rectify any mistakes that are made.

The problem is that it is impossible to deal with the "undeserving neighbor" story when no one will put an identity to this mythical ripoff artist. Like the story of alligators in the sewers of New York, some people desperately want to believe they are there and no lack of evidence can every persuade people to alter their belief. (Who after all really goes looking for them?) Congress should not be making policy, including taking such radical steps as eliminating cash grants for 850,000 children, based on a few "undeserving neighbor" stories.

Low income children with disabilities, are among the neediest of all Americans, as your Ways and Means House Committee said in 1972 in recommending passage of this provision of the SSI program. They need support for basic necessities of life and a plethora of special needs, ranging from sophisticated, expensive child care and special schooling to special diets, medical services and equipment that is not covered by Medicaid or private insurance. Rather than micromanage the lives of three quarters of a million families, we afford these families a modest allowance, (averaging \$412 per month -- considerably less than the poverty level) and we expect them to do what is best for their children. We know that the vast majority of American families who receive this aid do just that. Theirs is the story that should be told.

While Congress in 1972 did not write detailed regulations, a job better left to experts in the field, you did mandate that children be treated fairly, by looking at how they function overall just as adults were evaluated. The system that Social Security eventually devised, however, missed the mark and required that kids, unlike adults, had to meet one of 57 listed impairments. (In the adult program these listed impairments are merely starting points for the inquiry, a shortcut to award benefits for the easiest and most severe cases.) If a child's impairment was not on the list (as thousands were not), they were denied benefits. This was too much for seven Justices of the Supreme Court, including three conservative Reagan nominees, Justices Scalia, Kennedy and O'Connor. Indeed, even the dissent argued that injustices were clearly being done to children--they disagreed only as to how to remedy the situation.

Once the case was decided it was sent back to the federal district court, where a judge ultimately approved an order to revisit the denial of 453,000 children's cases denied since 1980. SSA then attempted to notify these children and readjudicated cases of children who responded to notices, only this time looking at the

whole picture, not just at some circumscribed list of medical pigeon holes. Not surprisingly, they found that thousands of children with AIDS, Down Syndrome, cerebral palsy and cystic fibrosis had been erroneously turned down; several thousand, SSA also found, had died from their "non-disabling" impairments. All of these children awarded benefits were seriously impaired.

If anything, in the period after 1990, SSA was extremely cautious and erred on the side of denying benefits. Indeed SSA's Quality Assurance program revealed unprecedented, high error rates in denied cases for most of the post-Zebley implementation period, error rates not appearing in allowed cases.

Under the new Zebley regulations, over 800,000 child claimants have been denied. This is a program that knows how to and does say no to children with minimal problems.

Eight hundred thousand disabled children on SSI now in a country of almost 300 million hardly suggests a program out of control.

With some very radical proposals being put forward by some to eliminate the SSI cash grant program for families with disabled children, we are very concerned about the misinformation and myths afoot upon which these proposals appear to be based. We wish to answer them here:

**MYTH #1:** Families with disabled children  
don't need supplementary income;  
they only need medical care and  
health related service.

SSI has a stringent financial means test (e.g. with a \$2,000 maximum asset or resource limitation) so that only low income families can qualify. Parents seeking SSI generally have very real financial needs, many not strictly medical, with representative examples listed below. Studies have shown that the presence of a disabled child in the house often leads to a wage earning parent having to give up employment to stay at home caring for the child, substantially reducing income for the entire family, including the disabled child. The average \$412 a month grant, although of significant benefit to the needy child, rarely lifts the family out of poverty. The grant is essential to provide an adequate level of necessities of life, i.e. food, clothing and shelter, as well as the child's extraordinary daily expenses or disability related expenses.

Those who would abolish the SSI grant have little idea of how vitally important SSI cash grants are to hundreds of thousands of families. For them, SSI covers the cost of:

- . Over-the-counter nutritional supplements for a teenager with a degenerative neuromuscular disorder that makes it difficult for him to eat enough to maintain a healthy weight.
- . The day care given for a very young grandchild whose medical condition requires 24 hour a day supervision, but both of whose parents must work to support the family.
- . A membership in the YMCA for child with a disability so that he can have some fun and a positive social experience.
- . A special computer for a ten year old girl with cerebral palsy who cannot speak, enabling her to communicate not only her basic needs, but also her thoughts and ideas with her friends and family.

Three-digit monthly electric bills for a family whose child can breathe only with the help of a respirator 24 hours a day. The family also used its SSI check to pay for a back-up generator that must be ready to kick-in if the electricity fails.

Water bills for above average bathing and laundry usage.

Weekly supplies of adult diapers so that a child who is incontinent can attend school.

A behavioral aide to enable a child with serious emotional challenges to take part in an after school recreation program with her friends, an option she could not access without assistance.

Fees for specially trained child care providers (respite care) so that the parents can see a movie and leave their child with mental retardation at home in competent hands.

Monthly payments for a used van with a wheelchair lift so that a rural mother can drive her child three times a week to physical therapy sessions at a clinic 45 miles away.

Tutoring services to assist a child with a disability who is having difficulties in school.

Additional family support services such as counseling for a family stressed by a child with serious emotional or physical challenges.

Telephone calls to medical providers, pharmacists, social service providers and schools.

Public or private transportation costs for numerous trips (often long distances in rural areas) to obtain medical treatment and services.

Adapted clothing (e.g. replace buttons with velcro fasteners, specially fitted shoes, modify openings or specially designed clothing for persons with limited movement).

Clothing, laundry and household cleaning supplies (e.g. children who require frequent clothing changes or whose disability requires more frequent household cleaning).

Specially equipped vehicles to transport children who use wheelchairs.

Home repairs (e.g. special safety equipment such as protective coverings for kitchen appliances, extraordinary wear-and-tear from wheelchairs).

Home modifications/adaptations including environmental control equipment (e.g. widen doorways, change doorknobs to levers, add ramps, modify controls and switches, install bathroom railings and special bathing and toileting equipment).

Personal assistance services (including wages and taxes).

Services and repairs for assistive technology (e.g. wheelchairs, prosthetics, hearing aids).

Adapted toys and learning materials (e.g. special tricycle for a child with a physical disability).

- Assistive technology for school homework (e.g. computers with voice output, touch screen or modified keyboard).
- Special telecommunication services/devices (e.g. TTY).
- Co-payments and deductibles for routine medical visits, specialty consultations, medication, biological products, physical/speech/occupational therapy, orthotic devices and wheelchairs customized for children not covered by Medicaid, private insurance or school districts.
- Over-the-counter items not customarily paid for by public or private insurance such as creams for skin conditions, diapers for older children, wigs, special formulas/items for managed diets.

The list could go on. Every family makes a different decision based on what they need in order to keep their child at home. The abolition of cash grants, or alternatives proposed like block granted services or vouchers would mean that the variety of essential non-medical needs of these children would go addressed.

**MYTH #2:** Children with minor behavioral and other problems can now get SSI disability. It is too easy to qualify for SSI children's disability benefits.

Children with minor problems cannot qualify for SSI. Indeed, the new rules have added an evaluation step to screen out children with non-severe impairments, with only "minimal" or "slight" impacts on functioning, very early in the assessment process. The new rules only permit children to qualify who have severe mental or physical impairments having "substantial" adverse impacts on age appropriate activities. See 20 C.F.R. Section 416.924a.

Since the new rules took effect in Feb. 1991, half the children claiming SSI have been denied, with denials nationally totalling over 800,000 to date. Since that time allowance rates have sharply fallen, so that today 2 of every 3 children applying for SSI are denied. The system does work to keep out children with minor problems.

SSA's three sets of Quality Assurance reviews (at the state, Regional and Headquarters levels) of allowances to children have shown a very low error rate, one comparable or lower than that of adult decisional error rates.

Finally, there is a discernable bias among a number of people who think that children with various serious behavioral disorders are simply "bad" kids with nothing medically wrong with them. This bias is quite real, and needs to be addressed with education about the medical origins of behavioral disorders.

**MYTH #3:** The children's SSI program is out of control as shown by the rapid growth of the program.

A number of understandable factors explain why more children are receiving SSI now:

The GAO has found that 70% of the increase was not due to Zebley but due to children with the severest mental disorders meeting the Listings of Impairments, revised in 1990 upon congressional mandate;

Intensified, unprecedented governmental and foundation-funded national outreach campaigns to reach families and professionals serving them;

The Zebley court-ordered re-adjudication of over 453,000 past denials (of which about 135,000 have been found to have been wrongfully denied);

With the recession in the early 90's, more children were in poverty and thus income eligible for the program;

And the new Zebley rules, which are for the first time fairly evaluating seriously impaired children.

Major decreases in allowance rates now indicate major declines in growth.

The program's total enrollment of some 850,000 children better reflects the eligible disabled child population. In 1989 it was estimated by the Bazelon Center for Mental Health Law that there were 1 to 1.5 million children eligible for SSI.<sup>3</sup>

**MYTH #4:** Parents are "coaching" children to fake disability. Parents are abusing the system to enrich themselves.

The only thorough investigation of this allegation has been a detailed look in May 1994 at 617 child behavior disorder cases by SSA which did not find one case of alleged "coaching" resulting in a SSI allowance. "Possible coaching" was present in but 13 of the 617 with none of the 13 leading to an improper allowance.

Zebley counsel, who through an "800" number talk to thousands of parents around the nation, have not seen any corroborated instances of successful chicanery. Advising poorly educated parents about the SSI program's rules is not improper "coaching," but appears to be described as such by some hostile to the program. This "myth" assumes that it is easy to dupe trained disability examiners. Disability adjudicators look to multiple sources, not any one person, to establish eligibility. By obtaining evidence from physicians, psychiatrists, psychologists, social workers, teachers, therapists, and guidance counselors, and lay people, including SSA's own doctors, SSA's rules provide safeguards to prevent this from occurring.

Examiners look to evidence over a long period of time, further minimizing the impact of one test or one day's behavior. Further, those doing testing like psychologists, are trained to detect feigned symptoms. Recently SSA has established a special "800" number for people to report anonymously alleged coaching.

**MYTH #5:** Retroactive and ongoing awards are being misspent by parents, and not used for the child's benefit.

Here again, after speaking to great numbers of parents who have received large lump sum awards, we do not see a pattern of abuse. Parents are spending the monies on the material and medical needs of the child. Indeed, they are legally required to tell SSA how they spent the money.

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<sup>3</sup>National Health Interview Survey data of children meeting SSI's criteria confirm this estimate. (See Issue Brief, No. 661 of Nat'l Health Policy Forum, Jan. 1995). Other data suggest the number might be considerably higher. See Cedarbaum, "Policies for Children With Disabilities, Connecticut, Virginia and Some National Trends," pp. 8-9 (Draft working paper for Disability Policy Panel of National Academy of Social Insurance, Jan. 1995).



There are non-SSI people who, in the 1991-1993 period, observed SSI parents, with little income, spending monies of large amounts in a short period of time. But this is understandable as the one-time, retroactive grants averaged \$10-15,000 and federal law almost compels spending in 6 months. Under a very inequitable provision in the law (and not anticipating Zebley awards), 6 months after a lump sum is received, anything remaining is counted as a "resource" to disqualify future receipt of any SSI. Since the qualifying maximum allowable resource amount is only \$2,000, federal law unfortunately gives parents an incentive to spend down within 6 months.

Rather than blaming parents, we should be seeking to amend the 6 month provision, to allow the money to be set aside for the child's future needs. Now, only a legally complicated trust, requiring an attorney, can be used to safeguard the money for the future instead of an easily established, specially designated bank account.

If any parent is in fact abusing their duty to spend monies for the child, SSA will remove the parent as a "representative payee" for the child and find another responsible agent. (About 10-15% of rep. payees are not parents.) This remedy can be utilized to address any such problems in individual cases.

Looking ahead, we wish to present a more detailed and constructive agenda of needed SSI child disability reforms arising from the national experience with Zebley, the implementation of new standards, and the income/resource reforms affecting children set out in the agency's SSI Modernization Report under Commissioner Gwen King. Below is our **Agenda for SSI Childhood Disability Reforms**.

1. **Safeguarding Disabled Child's Future Needs--  
Modifying the 6 month Resource Rule**

Everyone agrees that the resource rule requiring expenditure of SSI lump sums down to the current \$2,000 resource limit discourages parents from careful planning for a child's future needs. Back awards must be spent down to the \$2,000 resource limit within 6 months, regardless of the size of the award. Current statutory and regulatory provisions for preserving back awards are inadequate: trusts are complicated, costly, tricky to administer and require lawyers; PASS's (Plans to Achieve Self-Support) are too rigid and limited by statute to 4 years; burial reserves have little relevance for children.

We propose a number of reforms:

- a. increasing the resource limit to a more realistic level;
- b. afford those with large back awards additional time to reach the resource limit;
- c. allow recipients to set up earmarked bank accounts for special purposes (such as education, training, or adopting a home) without having to set up a complicated trust.

These reforms, along with better guidance from the Social Security Administration would significantly improve the program in a way that fosters responsible financial planning.

2. **Ameliorate the PASS Policies**

A Plan for Achieving Self Support (PASS) is an SSI work-incentive, to set aside either income or resources to fund a plan to achieve self-support. Nationally, there have been less than a half-dozen PASS's established for SSI children! The PASS provision of the law needs reformation if it is to serve the needs of

children.

PASS policy needs reformation so it does not have an arbitrary 48 month limit that effectively excludes the younger disabled person, who will still be a minor at the end of the four year period, and to encompass more flexibility in what services and education can be contained within it. Especially if a time limit for the plan is to be enforced, that time limit should not begin to run until the child's 18th birthday.

### **3. Disability Service Coordination Needed**

Many poor parents of SSI children, and even medical and social service professionals serving them, are not aware of medical and social services, not provided by SSA, that may be available for their children and which also may not be provided under Medicaid. To respond to this pressing need and to uncorroborated criticism that some parents may need professional advice on how to spend their SSI monies, especially initial lump sum payments, there needs to be a social service component or referral component in the SSI program. Since SSA will not likely wish to take on direct provision of services, SSA should make regular referrals to non-profit groups of parents of disabled children and to relevant state and local social service agencies such as Title V programs for Children with Special Needs and Part H Early Intervention programs specializing in services to disabled children. Legislation should be enacted to require these referrals and to provide support for such state and local agencies.

### **4. Address Needs of School Teachers and School Psychologists**

There is some resentment and misinformation in the educational community about the SSI program arising from the new emphasis on gathering evidence from a child's school. (School personnel often do not realize that the child may indeed be denied later, but the information must nevertheless be obtained to complete a fair evaluation.) Legislation or administrative reforms are needed to pay schools for this "functional" evidence, just like SSA pays doctors for relevant medical evidence. SSA should also offer teachers and school psychologists aids like direct telephone dictation of reports to the state disability agency, just as they do to doctors. And, SSA needs to do much more "educating of the educators" into the workings and value of these SSI programs.

### **5. Improvement in State Disability Determination Agencies**

**a. Specialization:** There is no incentive for specialization in childhood disability case evaluations in state disability agencies despite the great complexity and uniqueness of both the Childhood Listings of Impairments and the new Zebley Individualized Functional Assessment rules. A few states specialize with generally good results. Accessing relevant evidence for children and evaluating often multiple-source evidence requires great skill. SSA headquarters has specialization, i.e. a Children's Disability Branch at OD, established when the Zebley Supreme Court decision was handed down. But SSA should be required to collect and synthesize the ad hoc experiences of specialization in these state agencies that do so, and then to require it if deemed appropriate. Congress may wish to mandate specialization now or to require SSA to do more to encourage the practice.

**b. Advisory Committee:** State disability agencies need to interact with a considerable number of professional disciplines to achieve high quality childhood disability evaluations. Yet with two exceptions (Pennsylvania and Massachusetts) there are no Advisory Committees to state agencies to provide input and consultation from pediatricians, child psychologists, educators, social workers, child disability groups, etc. Establishing State Advisory Committees is a low cost means to improve quality and communication, and respond to criticism and suggestions from the public

## 6. Income/Resource Deeming Rules Reforms

The SSI Modernization Report prepared under former SSA Commissioner Gwen King and many others have pointed to inequities in the SSI program that penalize families trying to do their best with very limited means. Needed reforms are:

### a. Modify the rules for deeming family resources to the disabled child to recognize the need of other children in the family.

The SSI Modernization Report recommended a change in the resource deeming rules to permit a \$2,000 resource allocation for each additional child in the family. The current limits on allowable resources do not consider the overall size of the family. This is in contrast to the income deeming rules which permit the family to allocate a portion of their income for each child in the household.

This current, arbitrary limit on allowable resources means the family with several children cannot save for the education, emergencies or numerous other needs of the family without endangering the SSI of the disabled child.

### b. Disregard special expenses for child care of a child with a disability.

The Modernization Report recommended disregard of the portion of family income used to pay for special expenses related to a child's disability--many of which are not offset by SSI. These can include the purchase and installation of adaptive equipment that makes the home accessible, specialized transportation, and child care. (One mother told the Modernization Panel, she spent \$157/month for disposable diapers for her 13 year old.)

### c. Change the way certain unearned income intended to substitute for earnings is treated.

SSI parental deeming rules treat "earned" income from employment much more favorably than "unearned" income like veteran's benefits or Unemployment Insurance. SSA counts a much higher proportion of the latter as "available" to the child, essentially reducing SSI dollar for dollar. This inequity is felt most severely when the wage-earner parent of the SSI disabled child loses his or her job, or gets injured. In the midst of the wage loss and financial crisis, the family usually sees a reduction in the child's SSI in some cases, complete ineligibility, just when the program is needed the most. If direct wage replacement programs such as Unemployment and Worker's Compensation were considered "earned" income, this problem would be solved. The Modernization Report recommended a change, as did Representative Pete Stark in H.R. 3009 (introduced Aug. 6, 1993).

## 7. Assure All SSI Children Have Medicaid Protection.

Since access to regular health care is so important to an individual with a disability, the SSI Modernization Report recommended that all SSI recipients, adults and children, be automatically eligible for Medicaid regardless of the state in which they live.

In 31 states and the District of Columbia, an individual who is eligible for SSI benefits is automatically enrolled in Medicaid. In seven states, SSI-eligible individuals are automatically eligible for Medicaid, but must fill out a separate application: Alaska, Idaho, Kansas, New Hampshire, Nevada and Utah. Studies indicate that the need to file a separate application represents a barrier to children obtaining health benefits.

Twelve states, representing approximately 20% of SSI children, have established separate, and more restrictive, income, resources

and/or disability criteria that were in effect in these states on January 1, 1972. These "209(b)" states are Connecticut, Hawaii, Illinois, Minnesota, Missouri, New Hampshire, North Carolina, North Dakota, Ohio, Oklahoma and Virginia. SSI disabled children in these states should receive Medicaid.

8. Protect Medicaid During Months  
When Parents Are "Over-Income."

The Modernization Report's recommendations would consider or "deem" an individual eligible for SSI for purpose of retaining Medicaid coverage in months when a parent's five weekly (or three bi-weekly) paychecks resulted in temporary suspension of cash eligibility as being "over-income." Currently, when the child is ineligible for SSI for a month because the parent earned too much, the child also can lose Medicaid coverage for the month.

\* \* \*

Thank you Mr. Shaw and Members for this opportunity to testify and your continuing commitment to better the lives of disabled children.

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## Why Must Congress Pick On Disabled Kids?

To the Editor:

I was horrified to read that Republicans are drafting a bill to switch cash grants of up to \$445 a month for children with chronic illnesses and disabilities to a less flexible medical voucher system (front page, Dec. 29). So many expenses in raising children with disabilities cannot be categorized as medical. The bill's sponsors, including Newt Gingrich, have a myopic view of cost control without caring about ramifications.

These parents concerned enough to care for their disabled children at home deserve some financial support as an alternative to more expensive institutionalization.

Why don't these politicians pick on someone their own size? Like grown, able-bodied, working men who dodge child-support payments. It is the responsibility of strong, able-bodied adults like us to see that the disabled and their families are protected.

MARGERY B. ROTHBERG  
Monsey, N.Y., Dec. 29, 1990

The writer is on the board of Rockland Independent Living Center.

### Choice of Cruelties

To the Editor:

Who is more cruel, the Republicans in Congress who want to cut off Supplemental Security Income payments to severely disabled children

in low-income families, or the anonymous Democratic Administration officials who want to change the program if it helps these children become productive working members of society (front page, Dec. 29)?

Supplemental Security Income payments go only to low-income families, particularly with a breadwinner who works at low wages. These families struggle to care for a child with a severe disability, who requires constant care and expenditures beyond the family's means.

Here we have true family values and the work ethic personified, yet these families will be punished by cutting off Supplemental Security Income for children. These are not the rich who will benefit from the billions in the Republican proposal to reduce the tax on capital gains.

The Democratic suggestion to change the Supplemental Security Income children's program to help these children enter the work force is a cruel joke. To be eligible for the program a child must be so disabled as probably to be unable to work. Children on Supplemental Security Income are unlikely to enter the work force, though many may work in sheltered workshops.

Education and vocational training are already available through special rehabilitation programs. What these children and their families

need is the cash assistance to let the family maintain the child at home and avoid institutionalization, which costs 10 times the grant of Supplemental Security Income and guarantees for the child a lifetime of dependency.

HERBERT BERNELL

Los Angeles, Dec. 29, 1990

The writer is a public interest lawyer specializing in benefit programs.

**COMMUNITY  
LEGAL  
SERVICES, INC.**

1424 CHESTNUT STREET  
PHILADELPHIA, PA 19102  
215-981-3700  
FAX 215-981-0434

October 31, 1994

Roone Arlidge  
President  
ABC-TV News  
47 West 66 Street  
New York, NY 10023

RE: Primetime Live and SSI Disabled  
Children (October 13, 1994)

Dear Roone:

The recent Primetime segment, trashing the federal SSI low income, disabled children's program is a paradigm for why Primetime's ratings are in a downspin and why TV newsmagazine shows are dying on the vine, losing viewer interest and credibility.

The piece, by Jude Dratt and Chris Wallace, warmed over two year-old news and discredited allegations, and was replete with distortions and errors mirroring the worst of London tabloid journalism.

As a major source of background information for Dratt and staff, and one who has been a national source for policy makers, foundations and the media through a 10 year involvement in this children's program, I personally brought to the attention of Dratt and later Phyllis McGrady the segment's deficiencies in advance of airing. This did little to prevent a piece of shoddy and biased attempt at journalism.

To highlight some deficiencies:

1. Old News Warmed Over by Primetime

The anecdotal allegations of some ineligible children, primarily African-American, getting SSI child disability benefits appeared over two years ago, emanating from white school teachers and politicians in East Arkansas (a predominantly Black area of the state); they also came from a renegade bureaucrat from Harrisburg, Pa. who had her own personal criteria for who was a disabled child. The print media caught up with these allegations, reporting them in the Arkansas Democrat-Gazette and Washington Post (with no corroborating, objective sources I might add).

Dratt, familiar with these stories and quite critical of their veracity and bias, told me Primetime would never redo these stories again on the show. But that's exactly what ABC presented on October 13th, airing interviews with the same state Rep. Flanagan (D-Ark.), focusing on two Black Arkansas families, and repeatedly interviewing Nora Cooke Porter from Harrisburg. Nowhere did you interview or air those in Arkansas and Pennsylvania who have testified as to how biased and illfounded these sources proved to be.

If this SSI benefit program were so "astonishingly bad" and a "taxpayer scam," to use Wallace's tabloid rhetoric, then why could not a Primetime "investigation" find convincing evidence in the rest of the country, and not warm over the same sources and localities made public two years ago?

The fact is that the only "sham" here was a touted "Primetime three month investigation." There was no investigation to speak of and little work was done in much of the three months, with visits to the clips file appearing to substitute for a real journalistic inquiry.

You might be interested in knowing that the ABC-TV Nightline staff looked into there same uncorroborated allegations last Spring but rejected them as unconvincing, and unworthy of a national news program.

## 2. Chris Wallace's Gross Misrepresentations

- a. "...even normal children can qualify for benefits ..." (Wallace)

Nowhere does Wallace or Primetime find it relevant to quote the federal law and policies governing the program which require only "severe" mental or physical impairments to qualify, and only those children with documented medical problems having a substantial impact on the child's life and functioning. In the only one household in Arkansas scrutinized by Wallace, the program studiously avoided letting the viewer know what exactly were the Brown childrens' problems that made them eligible as if to avoid contradicting the tarring of the program as one serving "normal children."

If the program's main premise stated early by Wallace were true, i.e. "how easy it is to get on the receiving end" of SSI children's disability benefits, then how could Dratt, Wallace and Co. ignore the fact given to them earlier that in the three year period February 1991 - April 1994, under the new child disability rules, nationally, 757,000 children (about 50% of applicants) were denied SSI. In Arkansas, a greater percentage of children were denied, 21,000 (or 56%) in this period. If Wallace's unfounded premise were correct, why would 3/4 million applicant children be

denied in so short a period for not having a severe enough disability?

The promos to the program appearing in TV Guide quoted Wallace as saying "billions of dollars" were being misspent which, in a \$4-5 billion children's disability program, must mean that a majority of the children are ineligible or a majority of parents are misspending the money. Not only is there not a shred of evidence for this but neither of the two major federal investigations by G.A.O. or the HHS Inspector General have supported this misrepresentation -- facts blithely ignored by Primetime. Wallace's quoted statement never made it on the aired script, yet its pre-program publication aptly reflected the false, hyperbolic spin put out to attract viewers to a program that, when aired, could never substantiate the accuracy of its own prior promotions.

Primetime staff had a copy of the September '94 federal General Accounting Office (G.A.O.) report explaining the understandable increase in disabled children now receiving SSI, yet there is not one reference to it--normally a primary, objective source for ABC and the media speaking to the integrity of federal programs.

Nowhere did G.A.O. find that "normal children" could "easily" get SSI; indeed, it explained that the large majority of children were so severely disabled that they met the long-standing Listings of Impairments for those extremely impaired children (e.g. I.Q. under 70). The General Accounting Office investigation was instituted in response to the anecdotal stories in the Arkansas Gazette and the Post; Primetime went with the old, disreputable sources, with no reference to the G.A.O. report, and news magazine credibility to another dive.

- b. "normal children can qualify... sometimes after being coached by their parents" (Wallace) ....  
     "Wallace discovers all you need is a child willing to tell a big fib."

Here Primetime's slipshod inquiry is most manifest. There has been only one thorough look at the incredible charge that "coaching" by parents can somehow fool multiple skeptical professionals, including M.D.'s and Ph.D.'s, independent of the family, into willy-nilly awarding SSI to "normal children". In a detailed scrutiny of 617 cases by SSI last May 1994, it was found that "malingering" was possible in but 13 of the 617 with none of the 13 leading to a child actually receiving SSI because of this possible fakery.

Yet Primetime, warming over an earlier Arkansas Gazette story, gave equal play to a questionable survey of some Arkansas teachers who believed SSI child claimants were coached. The latter survey did not even purport to look at whether alleged coaching actually



led to the Arkansas and federal doctors and psychologists being fooled into awarding SSI to even one normal child. (And with Arkansas's high rate of child denials of SSI, one can assume the coaching phantom has done little to spook the bureaucrats and doctors in Arkansas into opening the floodgates.)

So in the absence of what any senior editor at a major newspaper would do in scrutinizing documenting materials, your Primetime staff blithely equated a detailed, legitimate study refuting coaching with a pseudo-study that failed to turn up even one fraudulent award. And then Chief Correspondent Wallace chimes in to make his own totally unsupported indictment conclusion that "normal children" receive SSI "sometimes after being coached by their parents."

As your first step in investigating your own story, I hope you would ask your Chief Correspondent whether he read the May, 1994 SSA 617 case study, and the Arkansas teacher survey. (Many in Arkansas believe that teachers there, especially in East Arkansas are motivated by racism and hostility to a program largely serving poor African-American children there -- observations passed on to your Primetime staff, but apparently unexplored.)

c. SSI children "will stay on SSI for life" (Wallace)

The only truth in this statement is that when SSI disabled children die a young death, e.g. from cystic fibrosis, their SSI benefits also terminates with their young lives.

But Wallace did not appear to have these short-lived children in mind, when he made this erroneous indictment. Perhaps due to the brevity of the Dratt-Wallace "investigation," the team either did not know or chose not to report that Continuing Disability Reviews are mandated in the Social Security Act for all SSI children turning 18 (when they become adults). See Pub. L. No. 103-296, Sec. 207 ("Disability Review Required for SSI Recipients Who Are 18 Years of Age").

### 3. Misreliance on Nora Cooke Porter

Virtually the only other source used to supplement the anecdotes from Arkansas was Nora Cooke Porter, the pediatric consultant fired by the Pa. Bureau of Disability Determinations for having her own personal agenda for who she personally thought was disabled - an obvious problem for any government agency sworn to follow the law and to be fair and uniform toward all claimants.

It was this woman who on the air, said that families of disabled children "can buy a Mercedes" with SSI monies, and that "fewer than 30%" of children awarded benefits are in fact disabled. The latter indictment segued into Wallace's extraordinary leap of opinion that: "If [sic] Porter's estimates are anywhere near

accurate" then the program is a " massive taxpayer funded scam."

Given Porter's renegade history with the state disability agency, which was relayed to Ms. Dratt both by myself and by a headquarters spokesman at SSA, it is indeed surprising that no one at Primetime took the obvious step of at least checking in with her former employer in Harrisburg, Pa. to learn why she was terminated and perhaps learn what kinds of serious disabled children failed to meet the Porter test for benefits. These apparently included children meeting the most extreme criteria in the Mental Disorder Listings of Impairments. (This spurious track record may have cooled Nightline's interest in making this woman the centerfold of a story as Primetime recklessly did on Oct. 13.)

Porter's charge that "fewer than 30%" of children are eligible is one that not one other citizen, agency bureaucrat, reporter, or politician has ever made to our knowledge. This would mean that of the about 800,000 disabled children now on SSI, close to 600,000 are not disabled! Wallace's, "If [she's] anywhere near accurate ....." still translates to hundreds of thousands of ineligible children.

I challenge ABC and Primetime to corroborate this charge via any credible study or analysis. Surely before airing this libel against over a 1/2 million low income children a responsible news program would have investigated such an assertion to "corroborate it from other sources.

The ultimate media copout of giving qualified ownership to this lie was Wallace's, "If [sic] Porter's estimates are anywhere near accurate" then this is a "taxpayer scam." Isn't the purpose of a "three month investigation" and the job of such a veteran Chief Correspondent to ascertain the validity of such an assertion, and not to use the big "If" as a crutch to buttress the by now demagogic, media cliché of "taxpayer scam."

To date SSA has done Quality Assurance reviews of thousands of child disability allowances; the HHS Inspector General has completed an investigation; and the G.A.O. has done its major report. None of these give any credibility to Porter's "fewer than 30%" charge or her allegation of purchases of a Mercedes Benz with the \$450 a month SSI benefit (or the \$15,000 average lump sum retroactive payment). What's next, some crackpot ranting about welfare Cadillacs?

In over two years Cooke has yet find her SSI Mercedes Benz, nor did Primetime in its "three month investigation." But Primetime's journalism standards in this program did not include skepticism of the Big Lie but rather its naive embrace.

#### 4. Primetime and Racism

Many people around the country I have spoken to were struck by the fact that the only "deserving" eligible child briefly aired in the beginning part of the show appeared white, and the only undeserving questionably eligible children were African-American from Arkansas. Your all white producer and correspondent staff then relied on, with one exception, an all white group of adults slamming the program, including one white school teacher whose obvious hostility was reflected in her statement that benefits received by the parents (largely African-American) in East Arkansas rivaled her own salary.

Others were struck by how Chris Wallace was able to so gleefully exploit an African-American mother's ignorance of the eligibility criteria of the program and her dependence on the program to meet the needs of her children. Did Wallace, on his most brief of bluejeaned forays into East Arkansas (was he there for 24 hrs., or 48 hrs.?), or did Jude Dratt, in East Arkansas a few days longer, ever take seriously the possibility made known to Dratt that the hostility to the program was rooted in bias toward poor African-American households in the Delta region of East Arkansas?

The phenomenon of large increases in Arkansas of applications and allowances (explained in the G.A.O. report and ignored by Primetime), was part of a national trend yet it is illuminating that the one locality Primetime seized on was an area where a continuing history of racial prejudice is manifest.

When you add to these lapses Porter's preposterous substitution of the non-existent, SSI Mercedes-Benz for the Welfare Queen Cadillac of the 80's, we have a composite of Primetime's contribution to racist beliefs that it is a Black underclass ripping off America (and compelling ABC's Chief Correspondents to don bluejeans to ferret out "taxpayer scams" in the Delta).

#### 5. The Real Story--~~Not~~ for Primetime

What Primetime never considered news worthy was the unparalleled success of the SSI children's disability in changing and improving the lives of great numbers of poor, disabled children, giving them access to medical and rehabilitative services, saving lives, and ending or ameliorating childhood disabilities to allow children to lead productive lives as adults. The thousands of case histories are out there, but that is not what senior producers at Primetime considered newsworthy. A federal government program working to help poor families has never been deemed newsworthy at Primetime.

It is interesting in this regard that although Primetime staff spent hours filming the Dayton, Ohio family of Connie Guyer, and

her Attention Deficit Disorder son, Nathan, it chose not to use the family, or more importantly make the point that the Guyer case is the representative case history for the program. Here was a young teenager so depressed by his ADD, learning disabilities and seizures, and his teachers' opinions that he would never learn to read, that he planned suicide. After mental health treatment and beginning with the receipt of SSI, Nathan was able to attend a special, private school where he learned to read up to norm, write his autobiography to help other disabled children, and make plans to be a scientist "to save the tropical forests."

Although Mrs. Guyer was told by Dratt that her story was essential to giving a fair view of the program, the Guyer's were entirely cut from the show. Substituted, was a family with a child with mental retardation and severe cerebral palsy. Primetime obviously chose a token, poster child in the Jerry Lewis mold and found an obviously deserving child. But they passed up an opportunity to show the very concrete and dramatic turn-around impact of the SSI cash grant. Primetime also missed the opportunity to serve the public interest by educating a public (including perhaps a Nora Cooke Porter and Arkansas critics) who believe that ADD and other childhood mental disorders do not exist as disabilities, and therefore, that these are not eligible children to receive SSI (the "taxpayer scam," in Wallace-speak).

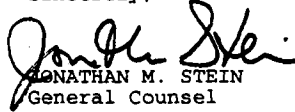
To have included the Guyers would have been to exercise responsible and sensitive judgment, as opposed to sentimental tokenism.

Without taking more time to detail other inaccuracies, let me ask you to conduct your own investigation of this Primetime program. I then would appreciate sitting down in person with you to discuss my comments. I also ask you to provide time on a future Primetime show to air the contents of this letter, as well as air time to present another viewpoint on this governmental program.

As you must know, Primetime chose not to air the views of any advocate or consumer/recipient organization, e.g. United Cerebral Palsy Association, The Arc (formerly Association of Retarded Citizens), Bazelon Center for Mental Health Law, or scores of

others. ABC has a public and ethical responsibility to the hundreds of thousands of eligible, disabled children and their families to be fair about this benefit program, and must now remedy the obvious lapses in the October 13th presentation.

Sincerely,

  
 JONATHAN M. STEIN  
 General Counsel

JMS/dof

cc: Alan Wurtzel Senior Vice-President  
 for News Magazines  
 Phyllis McGrady, Executive Producer, Primetime  
 Jude Dratt, Producer, ABC-News  
 Chris Wallace, Chief Correspondent, Primetime  
 Jim Navreckas, Fairness & Accuracy In Reporting (FAIR)

**LEGAL ACTION OF WISCONSIN, INC.****230 West Wells Street • Room 800 • Milwaukee, Wisconsin 53203****414/278-7722****FAX 414/278-7156**

**Kenosha Office**  
 5630 Sixth Avenue  
 Kenosha, WI 53140  
 414-654-0114

**Madison Office**  
 31 South Mills Street  
 P.O. Box 9686  
 Madison, WI 53715  
 608-256-3304

November 3, 1994

**Jude Dratt, Producer**  
**Prime Time Live**  
**ABC News**  
 47 W 66th Street  
 New York, NY 10023

**David Kelley, Producer**  
**Prime Time Live**  
**ABC News**  
 47 W 66th Street  
 New York, NY 10023

**Jacqueline Kallas, Producer**  
**Prime Time Live**  
**ABC News**  
 47 W 66th Street  
 New York, NY 10023

**Chris Wallace, Chief Correspondent**  
**Prime Time Live**  
**ABC News**  
 47 W 66th Street  
 New York, NY 10023

**RE: "CRAZY CHECKS", PRIME TIME LIVE**  
**OCTOBER 13, 1994**

Dear Ms. Dratt, Mr. Kelley, Ms. Kallas, and Mr. Wallace:

We are disappointed that Prime Time Live missed an opportunity to discuss children's SSI benefits in a responsible, balanced manner. Instead, your story was a distortion and a misrepresentation of this vital program. By focusing entirely on the problems in Arkansas, you failed to show that SSI is a lifeline for many children with disabilities. These children rely on this program to help overcome their disabilities and that is the reason Congress enacted the program.

As a legal services program which provides legal representation to low-income families with disabled children, we are fully aware of the administrative problems with the children's SSI program. But overall, these problems do not occur to the extent that you portrayed. By limiting your investigation to problems in Arkansas, you completely ignored and negated the overwhelming positive outcomes and value of this program.

Your program simply reinforced myths about the children's SSI program.

1. Children are "faking" disabilities in order to get benefits. This is FALSE. A recent review published by the Social Security Administration revealed that there was possible coaching in only 2.1% of reviewed cases.
2. Children's SSI benefits are misspent. This is FALSE. Parents of disabled children know best the needs of their children and they struggle to provide for them.

3. The Zebley case makes it "easier" to be found disabled. This is FALSE. The Zebley case made the evaluation of children's disability more fair to children.
4. The Zebley case opened the "floodgates" of disability claims. This is FALSE. According to the General Accounting Office report, 70% of the children awarded benefits actually qualified without the changes mandated by Zebley.

You have a responsibility to portray issues accurately and honestly to your audience. There are thousands of deserving disabled children whose parents and guardians spend their public benefits wisely and who need their SSI grant to care for their children's disability.

We request that Prime Time Live air a follow-up report which provides an accurate, balanced portrayal of the children's SSI program. I am enclosing a position paper which details our specific objections to your story. I will call you next week to discuss this. Thank you, in advance, for your consideration of our request.

Sincerely,

		
Michele Sumara	Dan E. Buron	Kay Pechin
Staff Attorney	Paralegal	Staff Attorney

cc: Phyllis McGrady, Executive Producer  
 Allan Wurtzel, Senior Vice President for News Magazines  
 Roone Arledge, President, ABC News

**LEGAL ACTION OF WISCONSIN, INC.**

230 West Wells Street • Room 800 • Milwaukee, Wisconsin 53203

414/278-7722

FAX 414/278 7126

**Kenosha Office**  
5630 Sixth Avenue  
Kenosha, WI 53140  
414-694-0114

**Madison Office**  
31 South Mills Street  
PO Box 9686  
Madison, WI 53715  
608-256-3304

Response to "Crazy Checks" on Prime Time Live October 13, 1994

**The myth that children successfully fake disabilities**

Two of the three examples portrayed in "Crazy Checks" were alleged cases of children "faking" a disability. The majority of the show focused on an Arkansas resident, Ms. Trout, who receives six SSI checks for her children.

Is this balanced, honest journalism? If it is, you are implying that most children receiving SSI benefits probably are faking a disability. Even the Social Security Administration disagrees with that conclusion. A recent review of 617 childhood disability claims (including about an equal number of allowances and denials) by the Social Security Administration found that there was possible coaching or malingering in only 13 cases. Of those 13 cases, only 3 were granted benefits.<sup>1</sup> But the study cautions that the sample of cases is not representative of the SSI child population because it is a small sample, representing approximately 20% of the universe of childhood disability claims and it consists only of claims by children with diagnoses that are suspected to be faked most frequently. In other words, even of the diagnoses most suspected to be coached only about 1% should have been denied.

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<sup>1</sup> Social Security Administration, Findings from the Study of Title XVI Childhood Disability Claims May 1994, p. ii.



That is a much different conclusion then one would get from "Crazy Checks."

To provide some balance, stories like the following could have been told. These experiences are typical of the children we represent who have been denied SSI.

M. was denied SSI. When we successfully represented him before an administrative law judge he was not yet two years old, but he had already suffered four life-threatening vaso-occlusive pain crises due to sickle cell anemia, each of which hospitalized him for a week or more. After the first week on morphine he could tolerate his mother's soft touch on his hot, painful legs. He is plagued with recurrent infections and must take daily antibiotic therapy at least until he is five.

L. was five when he was denied SSI. He was diagnosed with asthma at about three weeks of age. By the time of his hearing his condition had progressed to the point that his mother administered medication through an electric breathing machine four to six times a day, and he used an inhaler when he went to kindergarten for a few hours. Despite his mother's careful and diligent management, in only one year he had seven emergency room visits for exacerbation of his asthma. But the family's health maintenance organization only paid for a one way trip to the hospital; it was

often financially difficult to obtain cab fare from suburban Children's Hospital all the way back to the inner city of Milwaukee. L. can't blow out the candles on his birthday cake; ride a bike longer than five to ten minutes; play ball; or tolerate strong cooking odors. L.'s mother lies awake with him many nights administering an extra breathing treatment or repositioning a fan in his room to keep air moving.

Then there was four-year old R. who has a rare congenital skin disorder for which there is no treatment. She was denied SSI too. Contact with most surfaces causes R.'s skin to blister and make painful sores, some of which do not heal and form perpetual crusty lesions or residual sores that are easily infected. Her condition is worse in the summer when the heat causes spontaneous blistering. R. can't play strenuously and she must be protected from trauma, anything rubbing against her skin, and from infections carried by other children. Her feet are extensively involved and it has been a terrible burden financially for R.'s mother to supply her with soft, properly fitting shoes and soft, loose-fitting cotton clothing.

K. is a twelve-year old boy with a severe mood disorder and attention deficit hyperactivity disorder. He has had violent and fearful hallucinations, suffers frequent uncontrolled crying outbursts, is aggressive at school and at home to the point of

being a danger to others, is a poor problem solver, and is unable to respond appropriately to directions from teachers or his mother. Despite psychotherapy, daily medication, and a brief mental health inpatient stay, his condition had worsened and the schools seemed to give up on him. K.'s mother sought all possible sources of mental health assistance, as well as SSI, which had been denied.

As the facts from the lives of these four children illustrate, children who are eligible for SSI have severe mental or physical impairments with substantial impact on their development or ability to perform age-appropriate activities. That is the truth about SSI and the facts come from our work files. Our experience in Wisconsin is that no child can qualify for SSI because of minor problems, like mispronunciation or misbehavior. Even a child with a severe learning disability, but average intellectual ability, cannot qualify for SSI, although the child may qualify for special classroom services.

Successful faking is hard to do because the rules are stringent, disability examiners are experts, and the process involves "quality assurance" checks.

Children are eligible for SSI by one of two methods: (1) Listing: they present a medically-documented impairment with signs &

symptoms meeting or equaling the requirements specified, or "listed," by the Social Security Administration and are said to be per se disabled; (2) Comparable severity: state disability examiners perform an Individualized Functional Assessment (IFA) of child's age-appropriate activities in specified domains. Depending on the degree of disability, kids must have significant functional or developmental limitations in two to three domains, which make their impairments of "comparable severity" to that which would disable an adult.

However, you merely perpetuate the myth of children faking disabilities by your misrepresentation of the results of a survey done by the University of Arkansas in which local educators suggested that 81% of children applying for SSI indicated they were told to misbehave. Of course your purpose in using such a statistic was to suggest that children receiving SSI must be "faking." However, that tells us nothing about how many of those kids were denied benefits or how many received SSI due to their "faking" a disability. For all we know every single child who allegedly was coached was denied SSI benefits. Furthermore this study was done only in one state and is not representative of all children applying for SSI. So why was a statistic used that tells us nothing about the number of children who successfully "faked" their disability to get SSI? Perhaps only to mislead the audience into thinking that many, like Ms. Trout, were successful.

The myth that children's benefits are misspent.

"Crazy Money" portrayed examples of alleged improper or questionable use of monthly SSI benefits. In only one instance did you present a story of the unquestionable appropriateness of benefits spent. Are you implying that most parents inappropriately spend their children's SSI benefits? No study was shown to support that allegation. Clearly more oversight is needed to ensure that SSI funds are spent for the benefit of the children recipients, but to imply that most children's SSI benefits are inappropriately used is a conclusion substantiated only by unscientific anecdotes and innuendos.

In our experience, the parents of disabled children know best the needs of their children and they struggle to provide for them. SSI monthly benefits may relieve some financial stress but the \$530 monthly benefit in Wisconsin does not go very far to lift the indigent recipient out of poverty.

One grandmother, who is the guardian for her disabled grandchild, D., has told us that his impairment-related monthly expenditures easily exceed the SSI benefit. D. has attention deficit hyperactivity disorder and its long-term treatment has stunted his growth by three years. His doctors require that she provide him costly nutritional supplements and vitamins, which are not covered by Medicaid. In addition, his psychiatrist recommends that he have

costly, specialized daycare, participate in organized sports activities, and have educational tools at home to supplement his schoolwork and help him learn strategies for concentration.

R.'s mother, who was discussed earlier, spends \$400 per season on non-abrasive, soft, cotton clothing and specially-fitting shoes. In addition, she must treat R.'s skin lesions with over-the-counter preparations that are not covered by Medicaid, including bandages and dressings, lotions, chapstick, and oatmeal bath mixture. Further, she must invest in special daycare, children's pain medications, and non-perfumed soap, detergent, and toilet paper.

The Zebley case makes it "easier" to be found disabled.

If easier means "fairer" then, for once, "Crazy Checks" was right on target. In the Zebley decision the Supreme Court required "SSA to make its process for determining disability in children analogous to the adult process".<sup>2</sup> This was a necessary change because many deserving children, including children with Downs Syndrome, could not qualify for SSI under the old rules. After Zebley the Social Security Administration was ordered to make new rules to assess how children's mental or physical impairments limit age-appropriate development, functioning, and activities, in a way

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<sup>2</sup> Office of Inspector General, Rapid Rise in Children on SSI Disability Rolls Follows New Regulations, (GAO/HEHS-94-225) September 1994, p.4.

that would be of comparable severity to impairments that disable adults.

The myth that the Zebley case broadened the definition of disability and opened the "floodgates" of disability claims for "crazy checks."

The first assertion is true: according to the General Accounting Office, from 1989-1993 the number of children receiving SSI did grow considerably.<sup>3</sup> But as indicated in the GAO report, 70% of the children awarded benefits actually qualified without the changes mandated by the Zebley case. The GAO report cites a number of reasons that account for the growth in numbers of children receiving SSI benefits, but only one was mentioned in your show. Other reasons include improved outreach efforts by SSA and the dramatic increase in the number of children in poverty. According to a GAO report on infants and toddlers, there was a 26% increase of poor infants and toddlers during the 1980s. But the number of nonpoor infants and toddlers only increased by 13%.<sup>4</sup>

There have also been changes in the medical assessment of mental impairments for children which were made "to reflect advances in medicine and science, in accordance with the Disability Benefits

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<sup>3</sup> IBID, p.1.

<sup>4</sup> Office of Inspector General, Infants and Toddlers-Dramatic Increases in Numbers Living in Poverty, (GAO/HEHS-94-74) April 1994, p.7.

Reform Act of 1984."<sup>5</sup> The Zebbley decision did not mandate this change to include what is mistakenly referred to as "behavior problems," but it is reflective of advances in science.

Even though your show asserts that the "floodgates" were opened for claims of "crazy checks" as a result of the Zebbley decision, that is wrong. Other factors were also involved as previously mentioned. It is also wrong because only "one-fifth of these children-39,400 total, or 1,700 per month-received awards because they had diagnoses of attention deficit hyperactivity disorder, personality disorders, or autism and other pervasive developmental disorders-mental disorders that have been broadly characterized as 'behavior problems.' Children with these diagnoses represented 13.3 percent of all awards."<sup>6</sup> That is not exactly a "floodgate."

You have a responsibility to portray issues accurately and honestly to your audience. There are many deserving disabled children whose parents and guardians spend their public benefits wisely and who need their SSI grant. When you take the position of "bashing" the SSI children's disability program without carefully looking at how the program is working, it threatens the benefits of all disabled

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<sup>5</sup> Office of Inspector General, Rapid Rise in Children on SSI Disability Rolls Follows New Regulations, (GAO/HEHS-94-225) September 1994, p.1.

<sup>6</sup> IBID p.16.



children. It also defeats any meaningful dialogue that could have resulted. The SSI children's disability program does suffer from administrative problems, some of which you have suggested, but not to the extreme you suggested or in isolation of any good outcomes.

## **Consortium for Citizens with Disabilities**

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The Consortium for Citizens with Disabilities (CCD) is a coalition comprised of more than 120 national consumer, advocacy, provider and professional organizations which advocate on behalf of our nation's 49 million citizens of all ages with physical and mental disabilities and their families. Working through task forces, CCD works on federal policy issues in a number of areas including budget and appropriations, education, employment and training, health care, housing, long term services and supports, income maintenance, rights, technology and transportation.

CCD unequivocally supports the continuation of the Supplemental Security Income (SSI) program as a cash assistance program to provide basic income for low-income children who have severe disabilities or chronic illness or who are blind. We believe that the SSI program for children is extremely important because it encourages low-income families to stay together and reduces the need for more costly out-of-home institutionalization. The cash assistance program is founded on the principle that families should be empowered to decide how to best meet the needs of children with severe disabilities.

The Consortium believes that the strength of the SSI program is that the cash benefit encourages lower-income families to stay together in order to help their children gain the greatest possible independence as adults. The program's premise is that families can best decide how to meet their own children's needs.

If eligible children lose their SSI cash benefits, many families will simply not have the resources to care for them at home. They would turn to state and local governments for more assistance. Without the federal benefits that parents now spend on behalf of their children, state costs to serve children with severe disabilities would inevitably escalate. As an especially tragic consequence, some families would be forced to surrender custody to guarantee proper care for their children, either through the foster care system or in state institutions at a higher cost to taxpayers.

Our testimony answers five basic questions about the children's SSI program and recommends steps to consider that will improve the program's operation:

1. What is the purpose of the children's SSI program?
2. Who qualifies for children's SSI benefits?
3. What is the disability determination process for a child to prove eligibility?

4. Why is cash assistance critical for eligible families?
5. Why have the children's SSI applications increased over the past few years?

## 1. WHAT IS THE PURPOSE OF THE CHILDREN'S SSI PROGRAM?

Congress intended SSI benefits to pay for food, clothing and shelter for qualified low-income children with severe disabilities and children who are blind. The cash payment recognizes the family's wisdom and responsibility to make decisions about how to best spend benefits on behalf of an eligible child.

Families raising children with severe physical, developmental or mental disabilities have higher expenses and often have less income. Although public or private health insurance covers some medical costs, families face extraordinary additional out-of-pocket expenses related to the child's disability which continue throughout the lifetime of the child. The needs of a child with a severe disability frequently require a parent to remain home and forego paid employment. Some parents remain underemployed by taking a part-time job to have more time at home. Other parents must refuse better job offers to protect current health benefits or remain in a school district that has the necessary services for their child. All these factors decrease family income in both one and two-parent households.

## 2. WHO RECEIVES CHILDREN'S SSI BENEFITS?

To be eligible for SSI, a child must meet two sets of eligibility criteria: financial and disability. Only after the child is found financially eligible does Social Security consider whether the child is blind or whether the child's disability or chronic illness is severe enough to qualify.

In June 1994, 68 percent of eligible children received the maximum federal payment of \$446 and almost another six percent received 90 to 98 percent of the maximum federal benefit. This means that almost three-quarters of the children receiving SSI benefits were living in very low-income families because in a means-tested program, people with the lowest income receive the highest benefits. Benefits are also available to qualifying children whose families fall out of the middle-class mainstream when disability strikes. The extra expenses they incur and the income they forfeit when a parent must stay home to care for a child with severe disability make them financially eligible for SSI.

Families apply for SSI for their children not only for the cash assistance, but also because in most states, children who qualify automatically receive medical assistance through Medicaid. These families depend upon Medicaid for health coverage for their children with severe disabilities because currently, many of these children do not

qualify for any private health insurance because of their pre-existing conditions or because their parents work for employers who do not provide health insurance.

In June 1994, almost 850,000 children received SSI benefits because they were blind or disabled. Children with **mental retardation** were the largest single group, representing about **44 percent of the enrollment**, while another 34 percent have physical disabilities and 22 percent have mental disorders.

### 3. WHAT IS THE DISABILITY DETERMINATION PROCESS FOR A CHILD?

#### Medical Proof

Medical documentation must be presented about a child's **severe medical or psychological impairment** to begin Social Security's disability review process. The impairment must be identical or equivalent to one appearing on a specific list of qualifying impairments or must significantly interfere with the child's ability to develop or function in an age-appropriate manner in multiple areas of normal childhood activities. The disability examiner is required by law to evaluate each application to document whether benefits should be awarded or denied.

Recent allegations suggest that children are qualifying who do not have severe disabilities. However, the General Accounting Office investigated and found that 70 percent of all awards went to children whose impairments were severe enough to qualify on the basis of the medical standards alone without any consideration of their functional limitations.

#### Functional/Developmental Documentation

The disability examiner must also consider functional information from people who observe the child over a period of time such as parents, social workers, child care providers, clergy and school personnel. By collecting evidence from many sources, the examiner can verify the extent of a child's disability or chronic illness.

#### Comprehensive Decisionmaking

To make a decision, the disability examiner is required to review all available information about the child's daily functioning. Any test results must be consistent with other evidence about the child's daily behavior and activities. If there are inconsistencies, the examiner must get more documentation to resolve the differences. Social Security provides on-going training and guidance to the state disability examiners to ensure that they are properly implementing the legal requirements of the disability procedure.

### Coaching Allegations

It is nearly impossible for children to feign disabilities to qualify for benefits. The severity of a child's disability must be so fully documented that children with minor physical or behavioral problems cannot qualify for SSI. However, allegations have been made that parents coach their children to "fake" a mental disorder, do poorly on tests or act out in school.

The only thorough investigation of such allegations was conducted by Social Security's Office of Disability. It reviewed more than 600 randomly selected files of children with behavioral disabilities and did not find one case of alleged coaching that resulted in a benefit award. Possible coaching was present in only 13 of the 617 cases; 10 of these claims were denied and the other three children received awards on the basis of evidence other than the questionable tests. Furthermore, SSA cautioned in their report that the special sample of behavioral disorders cannot be considered representative of the entire SSI childhood population or even of SSI children with other mental disorders.

In addition to its study, Social Security has added safeguards to protect the program's integrity amidst the continuing allegations of coaching. There is a toll-free telephone number for concerned professionals to make anonymous reports about families they suspect are coaching their children. There is also a procedure for state disability examiners to report any suspicions of coaching. Designated staff at Social Security headquarters investigate all such allegations. With appropriate enforcement, the agency can reduce the possibility of fraudulent awards. It is neither sound public or fiscal policy to impose an intrusive bureaucratic paper machine upon families and tremendously increase the cost of government for almost 850,000 families when there is no exact knowledge of how many families are actually abusing the program.

### **4. WHY IS CASH ASSISTANCE CRITICAL FOR ELIGIBLE FAMILIES?**

Families report using their children's benefits for a variety of higher-than-average daily expenses as well as the special expenses related to the child's severe disability. The cash assistance helps parents meet the changing needs of a child with a severe disability, helping him or her to learn and gain the greatest possible independence as an adult without trying to deprive other family members of their respective need to grow and learn. Often the SSI benefit is the only money available to families to purchase the multiple items and services that meet the child's complex needs. Families report using their children's SSI benefits for the following types of expenses:

- o utility bills (electric bills for 24 hour/day respirators, rental costs of back-up generators to prevent power lapses, battery charges for communication devices or power wheelchairs; water bills for above average bathing and laundry usage)
- o telephone calls to medical providers, pharmacists, social service providers and schools
- o specially trained child care providers since neighborhood babysitters are often unable or unwilling to care for children with disabilities
- o respite care
- o personal assistance services (including wages and taxes)
- o public or private transportation costs for numerous trips (often long distances in rural areas) to obtain medical treatment and services
- o adapted clothing (e.g. buttons replaced with velcro fasteners, specially fitted shoes, modified openings or specially designed clothing for persons with limited movement)
- o clothing, laundry and household cleaning supplies (e.g. children who require frequent clothing changes or whose disability requires more frequent household cleaning)
- o specially equipped vehicles to transport children who use wheelchairs
- o home repairs (e.g. special safety equipment such as protective coverings for kitchen appliances, extraordinary wear-and-tear from wheelchairs)
- o home modifications/adaptations including environmental control equipment (e.g. widen doorways, change doorknobs to levers, add ramps, modify controls & switches, install bathroom railings and special bathing and toileting equipment)
- o service and repairs for assistive technology (e.g. power wheelchairs, prosthetics, hearing aids)
- o adapted toys and learning materials (e.g. special tricycle for a child with a physical disability)
- o assistive technology for school homework (e.g. computers with voice output, touch screen or modified keyboard)
- o special telecommunication services/devices (e.g. TTY)

- o co-payments and deductibles for routine medical visits, specialty consultations, medication, biological products, physical/speech/ occupational therapy, orthotic devices and wheelchairs customized for children not covered by Medicaid, private insurance or school districts
- o over-the-counter items not customarily paid for by public or private insurance such as special creams for skin conditions, diapers for older children, wigs, special formulas for managed diets
- o family support services

Many families use cash SSI benefits to partly offset their loss of income because a parent must remain unemployed or only work part-time to care for the child with a severe disability. In summary, it is very often the case that families spend over \$100 each week for the specialized goods and services that their children with severe disabilities require, readily absorbing the full SSI monthly payment.

##### 5. WHY HAVE CHILDREN'S SSI APPLICATIONS INCREASED RECENTLY?

A number of events over the past few years explain the increase in children's SSI applications. The recession of the early '90s increased the economic stress on families. More families whose children had severe disabilities lost income and their children became financially eligible for benefits. Also, the number of children living in poverty is the highest in almost 30 years.

Congress, in 1989, directed the Social Security Administration (SSA) to conduct outreach, for the first time, to potentially eligible families with children who have severe disabilities to encourage them to apply for benefits. The next year, SSA published and began to implement new rules for children with mental and emotional disabilities. The new rules were designed with help from a panel of experts convened by Social Security that included child development specialists, psychiatrists, educators, mental health advocates and agency staff. The old standards had not reflected current definitions and diagnoses of mental disorders. SSA's use of new and more realistic standards enabled more children with severe mental impairments to qualify for benefits.

The U.S. Supreme Court issued its decision in 1990 in the Zebley v. Sullivan case requiring SSA to change its childhood disability determination process to evaluate the child's level of functioning in addition to his or her medical condition. Members of the expert panel advising Social Security as the agency developed the new childhood disability process estimated that over 1 million children would meet financial and disability criteria. Part of the Zebley case required Social Security to notify 452,000 children who were illegally denied benefits between 1980 and 1990 that they had a right to have their cases reevaluated. The agency ultimately reinstated and paid back

benefits to 135,000 children who had been illegally found ineligible. By court order, SSA was told to notify all class members by letter and also to do public service announcements and national outreach to potentially eligible children.

To augment Social Security's outreach efforts, several major foundations funded the Children's SSI Campaign coordinated by the Bazelon Center for Mental Health Law, a CCD member organization. The campaign worked with state agencies, advocates and professional groups across the country to notify potentially eligible families about changes in the SSI program and how to apply.

Both Social Security and the Children's SSI Campaign publicized new financial eligibility rules, issued in November 1992, that calculate the financial eligibility of working families more equitably than before. Thousands of children whose parents are employed who were previously denied because they were over the income limits are now eligible for this means-tested program.

## RECOMMENDATIONS

The expected and predicted growth of the children's SSI program has prompted some extremely negative unsubstantiated stories about families allegedly abusing SSI benefits. Amidst the allegations, there has been virtually no attention to legitimate questions about whether and how the children's SSI program is serving its intended beneficiaries.

Last year, Congress authorized a Commission on Childhood Disability to study the program and possible alternatives. Last week, Secretary Shalala announced the Commission members who include nationally recognized experts in the fields of medicine, psychology, rehabilitation, law, education, disability program administration, social insurance, social and family policy and ethics. In light of the mandate to the Commission, we believe that Congress should not make any major changes in the children's SSI program until the Commission submits its required study to Congress by November 30, 1995. The Commission, through the work of its staff and accomplished members, will provide more complete information and data about who the program serves and what families need to meet the needs of their children with severe disabilities.

In the interim, we recognize that every federal program rightfully needs regular monitoring and review to assess its usefulness and efficiency. We believe that with appropriate enforcement, Social Security can reduce the possibility of fraudulent awards to children who do not have qualifying severe disabilities. In addition, we welcome the opportunity to work with members of the Subcommittee to improve the operation of the children's SSI program, especially in three areas:



### **1. Continuing disability reviews.**

We support the requirement in the Social Security Independence and Program Improvements Act of 1994 that requires redetermination of eligibility for SSI recipients upon his or her 18th birthday. At that time, the child will be reevaluated under the adult disability criteria. The redetermination will substitute for a continuing disability review and Social Security must review at least one-third of the children reaching age 18 in each of fiscal years 1996, 1997 and 1998. The provision expires on October 1, 1998 when a report is due to Congress.

In addition to this requirement, there are some children under the age of 18 who do medically improve during the time of their eligibility. We believe it is appropriate to discuss establishing a schedule to review periodically the continuing disability status of childhood recipients in cases where medical improvement is either possible or expected. We are mindful of the human tragedy of the early 1980s when hundreds of thousands of adults with severe disabilities who were receiving SSI benefits were illegally dropped from the rolls. Consequently, we support the establishment of a realistic review process over arbitrary steps to make wholesale reductions among childhood beneficiaries.

### **2. Improved work incentives for young people.**

People with disabilities are motivated to work, even when their disabilities are severe. The 1994 National Organization on Disability/Harris Poll found that 79 percent of non-working adults with disabilities would like to have a job, up from 66 percent in a 1986 poll. However, people with severe disabilities often are afraid to test the competitive market without some initial support through vocational training and the assurance that benefits will be easily re-established if their work effort fails. The SSI program already has some such work incentives, but they are not well known among young people who want to make a successful transition to the adult world of work.

Social Security should promote existing work incentives more widely. In addition, Social Security should work with the Departments of Education and Labor and all other appropriate federal and state agencies to improve work incentives for children with severe disabilities to enhance their ability to work to the extent of their capabilities.

### **3. Improved notification to parents (or any representative payee for the child) regarding proper expenditures.**

When receiving notification from Social Security that their child is eligible for SSI, many families do not receive clear instructions about the nature of the appropriate expenditures. Similarly, the instructions about the regular reporting responsibilities for representative payees are not as clear as they should be. Significant improvements

could be made by providing parents (as representative payees) with appropriate, timely information regarding their responsibilities in receiving SSI payments on behalf of their children.

We look forward to working with the members of the Subcommittee to ensure that families can continue to care for their children who have severe disabilities or who are blind.

Submitted on behalf of the following CCD members:

American Association for Marriage and Family Therapy  
American Council of the Blind  
American Network of Community Options and Resources  
American Occupational Therapy Association, Inc.  
American Rehabilitation Association  
Autism National Committee  
Bazelon Center for Mental Health Law  
Federation of Families for Children's Mental Health  
Justice for All  
Project AccessAbility  
Legal Action Center  
National Association of Developmental Disabilities Councils  
National Association of State Directors of Developmental Disabilities Services  
National Association of Protection & Advocacy Systems  
National Center for Learning Disabilities  
National Community Mental Healthcare Council  
National Parent Network on Disabilities  
The Arc (formerly Association for Retarded Citizens)  
United Cerebral Palsy Associations, Inc.

For more information, contact Rhoda Schulzinger, Bazelon Center for Mental Health Law (202-467-5730) or Marty Ford, The Arc (202-785-3388), co-chairs of CCD's Social Security Task Force.

**TESTIMONY OF DIANA AVIV  
COUNCIL OF JEWISH FEDERATIONS**

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to submit this testimony for these important hearings on welfare reform, specifically on Supplemental Security Income (SSI) benefits. This critical program is a life line for millions of the most vulnerable in our society, the elderly and disabled poor. My testimony will focus on one group of these needy and deserving people, legal immigrants and their families.

First, let me introduce myself. I am Diana Aviv, Director of the Washington Office of the Council of Jewish Federations (CJF). CJF is a national organization representing 189 local Jewish Federations which serve as central planning organizations and coordinate Jewish social services for approximately 800 municipalities and counties throughout the United States and Canada. This Jewish social service network embraces more than 6.1 million Jews and provides needed assistance to many non-Jews as well. The Federation system represents the largest base of Jewish communal involvement and action in this country. We are a significant component of the private philanthropic sector in America.

The Jewish community is deeply appreciative of the opportunities this great country affords those who seek refuge and a new beginning here. Most of us are either immigrants ourselves or only a generation or two removed from immigrant status. We support a generous immigration policy because we know that immigrants are good for the economy and good for our communities. According to the Urban Institute's recent study, published in May 1994, "Overall, annual taxes paid by immigrants to all levels of governments more than offset the costs of services received, generating a net annual surplus of \$25 billion to \$30 billion."

The Jewish community also knows, however, the consequences of policies that scapegoat immigrants as the source of many of society's problems. Government anti-immigrant policies give rise to irrational fears of the foreign born and even of native born ethnic populations. Fifty-five years ago such fears caused Members of Congress not unlike yourselves to defeat the Wagner-Rogers bill that would have granted refuge to 20,000 German children, half of them Jews. They suffered the same fate as the passengers on the Spirit of Saint Louis which was not permitted to dock here even though it meant their death. And it was irrational fear that forced loyal Japanese American citizens into detention camps on our own soil. We are, and we must always be, better than that as a nation, as a haven for those who seek freedom and the reunification of their families.

**Support of Family Reunification**

Family reunification is the cornerstone of our immigration policy. More than 520,000 of the approximately 700,000 legal immigrants who arrive each year are sponsored by relatives who have become citizens of the United States. But many families are not given permission to, cannot afford to, or for some other reason are unable to bring the whole family to the U.S. at the same time. Most often, the younger family members who leave first so that they can provide for themselves, become American citizens, and then bring their immediate relatives to join them. The separation is long and difficult, especially on parents who know they will not see their children and grandchildren for many years. But they believe the opportunity for a better life in America is worth the wait. As legal immigrants, and subsequently as citizens, these newcomers secure legal employment, pay taxes and otherwise participate in American society alongside other Americans.

### U.S. Citizen Sponsors Already Provide Significant Support To Their Immigrant Families

When U.S. citizens or legal permanent residents sponsor their parents or other relatives for immigration their incomes are "deemed" available to the new immigrants for five years, increased from three years in January 1994. In many cases, this means that sponsors fully support their relatives during this period. Frequently, the sponsors are also raising children and working hard to make ends meet, but they take on the additional responsibility because reuniting their family is their highest priority. As their parents age or get sick, however, the cost of supporting them can increase significantly. For most middle class families, whether immigrant or native born, supporting aging parents for the rest of their lives is a financial impossibility given the costs of medical care and other services needed by the elderly over the course of ten, fifteen or twenty years.

That is not to say that elderly immigrants access SSI immediately after the five year "deeming" period is over. The Urban Institute's analysis shows that even when the "deeming" period was only three years, fully 53 percent of legal immigrants currently on SSI waited more than five years before receiving benefits. More than half of this group (28 percent of the total number of SSI recipients) waited more than 10 years. Some are able to find jobs and many sponsoring families are able to continue to support new arrivals for a longer period of time.

Still, it is an undeniable fact that immigrants who come to this country in their fifties and sixties will still be here in their seventies and eighties when they may become frail or ill. Family members will not be able to cover the cost of their care. It is imperative that SSI remains available as a safety net to protect poor elderly U.S. residents who do not qualify for any other programs. For many, SSI is the only way to access medical assistance since purchasing private insurance for the elderly and disabled is either impossible, due to preexisting conditions, or prohibitively expensive.

Without access to SSI, these legal residents who followed the rules may have no means of support. Worse still, if the government changes its policy and makes legal immigrants ineligible for SSI, many U.S. citizens may be unable to reunite with their parents or other relatives because they know they will not be able to support them as they age or become ill. This is not the way our government should treat people who came here to participate in and contribute to our society, people who work hard, pay taxes and take enormous pride in their U.S. citizenship. Such a policy undermines our basic American values of family unity as a cornerstone of American society.

### Assisting The Disabled

SSI is a lifeline for the disabled whether American or foreign born. Without its support there would be no way that any but the very wealthiest families could pay for the essential services required by this population. Currently receiving SSI are 225,000 immigrants who have suffered a disability. To make them, or those who will be disabled in the future, ineligible for this program is to leave them without financial support, without medical care, and without social support services. Families will surely do the best they can for their loved ones, but it could mean bankrupting themselves and their children or leaving jobs and accessing AFDC or other programs available to citizens in order to provide the required care. Surely that is not the intent of the authors of the Contract With America nor of this committee.

### Inequities of Disqualifying Legal Immigrants For SSI Assistance

Legal immigrants followed all of the proper procedures and waited long periods of time, in most cases, to get their visas to come to the United States. In addition to going to work and paying their taxes, they also study English and American civics so that they can take their citizenship exams. Because an immigrant cannot apply for citizenship until they are resident

in the U.S. for five years, and because there are currently many problems and delays in the naturalization process (see section below), foreign born U.S. citizens are residents of this country for a minimum of six years before a relative is able to join them. It is unfair and inequitable to tell this group of U.S. taxpayers that their needy parents cannot access federal assistance programs in the event they need them, but their tax dollars will be used to help other citizens' parents. **Eligibility for public assistance programs should continue to be based on need, not on citizenship status.**

#### Obstacles to Naturalization

Denial of benefits to legal immigrants appears to be based on the assumption that all immigrants can simply naturalize if they want to do so. For a variety of reasons, this is not reality, particularly for those who might need SSI benefits, the elderly and disabled. The English language and American civics knowledge required for citizenship tests is extremely difficult for this aging population to acquire. Even though there are more lenient procedures for those over 55 years of age, they only apply if the immigrant has resided in the U.S. for more than 15 years. INS statistics from 1993 indicate that the naturalization rate for those over 65 is only nine (9) percent and for all immigrants over 55 it is just 19 percent. For many of the elderly and disabled just getting to classes on a weekly or more frequent basis is difficult.

The INS readily admits that the naturalization process can be delayed by its own procedures and problems. It is not unusual for the INS to take over a year just to review an application. Applications with errors or missing information are then returned to the applicant who must resubmit the forms. Scheduling the required interview with an INS official is substantially delayed in busy, understaffed INS offices. In San Francisco, for example, it now takes nearly one year to have an interview scheduled; New York takes six months; and Newark, New Jersey is taking one to two years. Chicago has approximately 300,000 immigrants eligible to naturalize this year, but fewer than 40,000 will become U.S. citizens due to lack of INS personnel. There are long waiting lists as well for English language and citizenship classes. In New York City and Los Angeles more than 50,000 people are on lists for citizenship courses. The INS acknowledges these problems and is taking steps to improve them, but the current situation poses serious obstacles for all those wishing to become citizens, particularly for immigrants in need of SSI benefits.

#### Cost Shift to States and the Private Sector

If the federal government chooses to make legal immigrants ineligible for basic support programs like SSI states and localities will be faced with having to pick up the cost of income support and medical care for these vulnerable people. If they do provide benefits they will have to absorb substantial costs that are not now budgeted for; if they choose not to extend benefits to this population, the number of homeless, destitute and dying people, a large number of them elderly, in their communities will rise. **The federal government should maintain its role in guaranteeing basic support for those who were legally admitted to the U.S. and who reside here as lawful permanent residents.**

Finally, I would like to respond to recent suggestions that cutbacks in public assistance will motivate private charitable organizations to do more. Mr. Chairman and Members of this Subcommittee, I believe it is a pipe dream to think that billions of additional dollars will pour into charitable coffers if the public sector retreats from providing basic income support to those residing legally in this country. It is possible that more volunteers will offer to assist newcomers in learning English or acculturating to a new environment. It is possible that individuals and corporations will increase their level of charitable giving somewhat. But it is inconceivable that the American public, which is admittedly the most philanthropic in the world, will accept the multibillion dollar responsibility of providing basic income support to the poor, elderly and disabled.

Every eleemosynary organization in this country is trying to make dollars out of dimes.

Most are doing a good job of it and providing needed services on a shoestring budget with heavy reliance on volunteers. Even some corporations have taken responsibility for providing educational materials to schools and training programs, funding special projects, and loaning executives as teachers, mentors and management consultants to nonprofit organizations. All this is laudable and necessary. But the corporate world is in business primarily to make profits, not to support Americans in need.

The Jewish Federation network is one of the finest social service systems in this country. Our collective campaigns raised nearly \$1 billion in 1994. But in 1995 we are struggling to keep our campaigns at last year's level and in some economically hard hit communities we are failing. It is not that contributors are uncharitable, it is that they are uncertain about their own future and that of their children and do not necessarily have additional funds to support these programs. We will do our best to restore our system to vigorous health, and I suspect that we and other charitable institutions will succeed in doing better. But it is imperative that the federal government maintain its role in the public-private partnership that has been created for caring for the needy whether native or foreign born.

### Conclusion

SSI is a lifeline. It literally saves lives. The current system already requires shared responsibility by sponsors and the federal government. Please do not gamble that the states will pick up the cost of caring for legal immigrants if you make them ineligible for federal benefits. Do not add this responsibility to the many already being carried by an overburdened philanthropic sector. Control of the federal budget is clearly necessary, but taking a lifeline from the most vulnerable and powerless is not the way to start.

The proud tradition of the United States, this nation of immigrants, requires that you look elsewhere for the funds to make welfare reform work. It also requires that Congress state loudly and clearly that anti-immigrant sentiments are not the policy of this government and that punishing those who followed the rules and came here legally is not the answer to the problems we face in our communities and our country.

BREDA M. COURTNEY  
1910 FRANCISCO STREET  
BERKELEY, CA 94709

To The Committee Hearing Testimony on Title IV of HR 4:

As a legal permanent resident of the United States for over 30 years, I urge you to vote "NO" on the proposed legislation which would discriminate against and punish those LEGAL residents who have paid taxes and contributed to this society freely and willingly over many years.

I came to the United States from Ireland as a LEGAL IMMIGRANT over thirty years ago. In all that time I have been a working, tax paying, contributing member of this society. I am a single mother who raised three children who are citizens of the United States. I worked full time and supported these children, when their U.S. CITIZEN father was a non-paying, irresponsible, non-contributing parent. During these years, while I was a single parent, I also paid for, attended, and graduated University, so that I could become a better and more contributing parent and U.S. resident.

Two of my children are college educated in California, and are law-abiding, working, tax-paying, citizens. The third is completing his fourth year in the top University in Ireland, which costs are totally paid for by a scholarship from an IRISH Foundation.

Since the first day I came to this country, I have respected and abided by all laws and regulations, and I have taught my children to do the same. My professional career, which has spanned twenty years, has been dedicated to human services organizations, in order that I might help others as I was helped when I came to this country.

**Why then should I now be punished by being deprived of my right to services which I have duly paid for over the last thirty years?**

I have never yet needed to apply for any state or federal services, because I have been blessed with a good brain and a healthy body. But what if one of them fails me in the next twenty years before I become 75? Is it fair and just that the benefits of the system which I have contributed to all my working life will be denied to me?

And what of others, who are not as fortunate as I? Those LEGAL IMMIGRANTS who do not have a command of the language because they do not come from English speaking countries, therefore have not been able to secure steady employment as I have? And those who have not been blessed with a good brain and a healthy body as I have?

Because my career has been spent in human service organizations I am very aware of the needy of this country, and it was a career choice for me to use my talents and my energy in the Not-for-Profit field. Because I saw the needs of others to be greater than my own, I accepted lower compensation and longer work hours over the benefits of work in industry. It has been my greatest joy in life to see American tax dollars well spent in human services programs.

**It is now beyond belief to me that everything I have believed America stood for all these years could go down the drain in this dreadful discriminatory legislation.**

**Again, I urge you to VOTE NO.**



COVENANT HOUSE  
346 West 17th Street  
New York, New York 10011

For comments or questions, contact:  
Sister Mary Rose McGeady, D.C. - (212) 727-4973  
James J. Harnett - (212) 727-4097  
Bruce J. Henry - (212) 330-0520  
FAX - (212) 727-4992

### WELFARE REFORM

#### **BUILDING A FIRM FOUNDATION BASED ON FAMILIES:**

#### **A POSITIVE APPROACH WITH EMPHASIS ON**

#### **REHABILITATION OF TEENAGE MOTHERS**

### Covenant House Experience

Covenant House has been providing shelter and services to homeless youth for over 25 years. We have sites in seven states as well as four foreign countries. Our youth include those thrown out of or running away from dysfunctional and abusive family situations, those aging out of foster care, as well as teenage mothers with their infants and toddlers. *During 1994 we served over 41,000 youth, 5,000 of them pregnant or mothering teenagers and their children.*

### Reforming the System

*Covenant House believes that the American welfare system, specifically Aid to Families with Dependent Children (AFDC), is in need of reform. We would hope for a positive approach which would help young people acquire the skills and jobs to be self-supporting, to be effective parents, and to plan a constructive future for themselves and their families. We come to this conclusion based on over 25 years of providing care to*

nearly 300,000 homeless youth, including teenage mothers and their young children. We are concerned that in taking away welfare supports without replacing them with positive alternatives which lead to self-sufficiency, young mothers and their children will wind up homeless on the streets of our cities and towns with only the vague hope of a handout to keep them from poverty, hunger and disease.

Tax paying Americans have a negative image of the recipients of public assistance: the welfare cheat, unwilling to work. For the group of potential recipients over the age of 18, habilitative approaches are not only possible, but Covenant House seems to have achieved a model designed to turn them into single working mothers (c.f., "Restoring Hope", enclosed). Present approaches run the danger that we end up with more homeless young people on the streets as families disintegrate. Instead, a positive approach, such as ours is preferable based on job creation along with training of young parents for these jobs and establishing day care facilities which make it possible for them to hold these jobs.

*This is the Covenant House approach: mothers are offered job training (for genuinely available jobs), day care, and strong counselling toward personal responsibility.*

It is also essential to address the subject of children having children. Teenage pregnancy, clearly at the heart of the welfare problem, grows out of a culture of poverty, violence, and a lack of hope in the future. The delay of gratification for greater and more moral rewards in life holds little value for teens who fear death by guns and whose experience leads them to a "live-now-for-tomorrow-you-may-be-dead" attitude. *As Americans, we can all challenge ourselves by asking if we have truly made enough*

*effort – all of us, churches, schools, parents, community – to teach values and responsibility.*

With unwed mothers under the age of 18, foster care with an orientation toward good parenting and the completion of high school, ideally with work competencies included, seem the best and most reasonable as well as least expensive approach where no responsible family is available, the latter being the ideal.

At the same time, incentives must also be established which will not only oblige fathers to acknowledge paternity in order to discharge their financial responsibility but will encourage them whenever possible to establish the family unit through their presence as loving parents to their children. Fathers, too, must be able to take part in job training and placement so that a self-sustaining family unit can truly be created.

We at Covenant House would be the first to admit that currently Aid to Families with Dependent Children is essentially aimed at subsistence and maintenance, not at any long-term solution to the problem. *With its requirement that the father be out of the home, it is a system which is not only anti-children but anti-family.* This kind of “treading water” approach has caused frustration both among the country’s wage earners/tax payers and the recipients themselves. The true challenge of welfare reform is how to spend public assistance funds in a way that provides a challenge as well as a safety net for the neediest members of our society, while building a long-term solution to the causes of poverty and dependence. *Greater still is the enormous job of counselling to build motivation and the belief among these young mothers that they can become working single parents.*

At Covenant House we have worked for 25 years with these young people, many of them products of urban poverty, family malfunction and neglect. Seven years ago we began our Rights of Passage transitional living job skills program. Like other programs initiated by agencies with a similar objective, we created a partnership with major industries in New York City such as the construction, building maintenance and real estate industries, who not only were willing to run training programs for our young people, but subsequently hired them into career track jobs. This group of cooperating companies now numbers more than 600. This approach has been replicated at many of our sites in other states. Since 1987 almost a thousand young people have participated in this program – with 64% still employed full time after one year.

While this demonstrates that young people want to work, to propose, as some do, that this entire problem be left to the voluntary agencies, is impractical. The voluntary sector lacks the resources to develop a comprehensive approach for the enormous number of youth clients. *Government must be involved to assure that work is a genuine possibility at a wage which supports independence and offers a career track.*

### **The Basic Elements of Reform**

Our experience convinces us that any effective solution to the American welfare dilemma must involve churches, voluntary and civic agencies, the business community, as well as government, and contain, at a minimum, the following four elements:

### 1. Systemic

Welfare Reform must take a systemic approach, recognizing that poverty, the source of so much family dysfunction and break-up, has multiple causes, all of which need to be addressed: productive work and welfare reform, for instance, go hand-in-hand.

### 2. Jobs

Both job skills training and job creation (making work pay with real jobs) must be priorities in any Welfare Reform package. Employers must be given incentives to train and hire welfare recipients for career jobs, not just a revolving door of low paying entry level positions. These efforts must be made on behalf of young fathers and mothers alike so that the family will truly have the financial underpinnings to survive as a unit and thus replace welfare dependency.

### 3. Child Care

Quality day care services must be available so that mothers and fathers will not have to worry about the safety and development of their child while they are at work. Again, incentives to employers can be used to encourage them to support or establish day care services for their employees. *Such services are as critical to effective Welfare Reform, as are sufficient wages to support a family, and a reasonable benefits package.*

### 4. Incentives

Welfare Reform must be incentive and reward-focused (e.g., earned income tax credits). Covenant House experience has shown that positive reinforcement as a way of inducing motivation has proven a sure prescription for success.

## Conclusion

An integrated Welfare Reform package will require political courage to implement. We need, however, to keep in mind that society has little to show for the billions expended on the current system of simply maintaining a poverty level culture in American society, with no hope of improving the future of the children of today's welfare recipients.

Covenant House wholeheartedly supports the current emphasis on family values. In doing so, we include the importance of reforming the welfare system so that it becomes a transitional tool in assisting each recipient to become part of a self-sufficient family. A reformed welfare system can serve as a national model for positive action which results in independence and stronger families. *Indeed, we need a welfare reform policy which will offer services to support and train our youth, to give them hope for the future, to restore to all of them the promise of the American dream, and to make them respectable tax payers.*

### COVENANT HOUSE: RESTORING HOPE

For the past twenty-five years, Covenant House has been providing food, shelter, clothing and a full spectrum of social services for homeless and runaway youth. Last year at our twelve sites, we served 41,000 young men and women, under 21 years old, representing a geographical and cultural cross section of America.

In New York City alone, 6,000 adolescents come to our door each year, seeking a bed, a meal, and a chance to grow. These young people come from hopeless living situations. In a city where 28 percent of the households have incomes below \$15,000 a year, our kids are the ones with the greatest need. Their families have been torn apart by drugs and alcohol, mental and physical abuse, and extreme poverty. They come to Covenant House looking for some sign of hope. The services we offer, from crisis care through transitional shelter to independent living, provide them with the opportunity to create a better life.

#### **Rights of Passage**

Currently 120 young people, between the ages of 18 and 21, reside at Rights of Passage, our long-term transitional living program located in the Chelsea section of Manhattan. This includes 20 young mothers and their children, representing 3% of the young moms who enter our Crisis Center. Since 1986, more than 900 young men and women have participated in this 12- to 24-month program. While living here, each resident creates an individual plan designed to result in his or her self sufficiency. They maintain employment, attend classes and pay a minimal rent based on their income. Participants do not accept any form of welfare or public assistance, and rely on in-house vocational training programs, employment workshops and the encouragement and support of staff members and mentors to accomplish their goals.

While everyone who comes to Covenant House has experienced the harsh realities of New York City's streets, the ones who suffer most acutely from homelessness are the young mothers and their babies. According to a 1991 New York City survey, 94% of single-parent families are female-headed and the median age of the female single parent is 22 years. Another report shows that New York City teens are having babies at a rate of 125 out of 1,000. With all this in mind, Covenant House has strengthened its effort to include young mothers and their children in Rights of Passage and all aspects of our program. By providing safe and affordable on-site child care and special programs dealing with parenting skills and mother/child health issues, we have encouraged our young women to resist the easy fix of public assistance and, instead, to aim for true independent living.

The cost of these programs is not insignificant. Covenant House's New York budget in 1994 was \$19.3 million, with 85% of our income a result of donations from the private sector, including individuals, foundations and corporations. Covenant House New York received \$2.3 million from HUD to support all its programming in 1994. The average cost per resident for the year was \$44,759.

The following table illustrates just how successful our determined young mothers have been in carving out a new life for themselves and their children. Our statistics show that, if given the opportunity, they can succeed at a rate that is often higher than that of other program participants.

	ROP GENERAL POP	YOUNG MOTHERS
Average Length of Stay	16 months	27 months
Housing at Completion		
Independent	75.9%	82.0%
ROP Independent	24.0%	17.9%
Employment at Completion		
Employed		
Unemployed		
Salary at Completion	\$23,100	\$7,000
Education at Completion		
High School Level	11.8 Grades	12.2
College Grade Increase from Entry	2.3 Grades	2.3 Grades

### Business Partnerships

Employment is the first step towards independence. When young people enter Covenant House, their only employment history is usually at a minimum wage, dead end job. The success we have had in creating other vocational options could not have been realized without the support of the private sector.

To date, 683 businesses have joined in this partnership. Companies as diverse as the Marriott Hotels, Bear Stearns and Home Box Office have provided financial support, on-site training programs and employment opportunities for our kids. The benefits have been mutual, with our young people securing career-based jobs, and the private sector seizing a chance to tap into this most valuable resource, tomorrow's work force.

### Mentors

Mentors are mature professionals, who are established in their business and have made a decision to get involved in the life of a young person. They are matched on a one-to-one basis with a Rights of Passage resident, and remain with that resident as he or she progresses through the program. By maintaining weekly contact, often something as everyday as dinner or a movie or a simple phone call, the mentor supplies a positive adult influence that has often been lacking in the young person's life.

Five hundred men and women have served as volunteer mentors, representing more than 300 private sector companies, such as Merrill Lynch, Pfizer, Citibank and Morgan Stanley. Rights of Passage graduates have identified the Mentor Program as the most significant reason for their successful transition into independent living.

### Child Care

An available job is meaningless to a young mother without quality child care. Covenant House offers on-site day care for Rights of Passage's working mothers and young mothers enrolled in vocational training programs. In addition to offering day care services, the teachers runs workshops in nutrition, well-baby care and child development to help mothers improve their parenting skills.



Proposed New York City budget cuts reflect a \$12.8 million decrease in spending for child care. This translates into the loss of 1,892 available slots for the children of working parents. The security a mother feels about her child care situation is directly related to her ability to sustain employment. To bring more young mothers into the work force, reliable day care services must be available to relieve chronic and consistent concerns regarding the well being of their children.

#### **Apartment Program**

In New York City, less than two percent of all low-income apartment units are available at any time. Affordable housing is scarce for even the most established community members. With no past rental history and a limited income, our kids have a hard time finding apartments to rent. Realizing this difficulty, Covenant House has secured the leases on fifteen apartments in the Bronx and Brooklyn. Graduates of the Rights of Passage program move into these units, pay rent, adhere to the rules of the lease, and after one year the lease is transferred to the young person. The keys to these apartments open the doors to true independence.

#### **Shamima's Story**

Shamima is an example of how all these components can connect to change the direction of a person's life. Shamima was 19 years old when she came to Covenant House's Times Square Crisis Center with her 10 month old daughter, Emani. They received food and shelter and were transferred to our 52nd Street facility for young mothers and their children. There, she made a decision that would change her life and her child's. Shamima, with the help of Covenant House staff members, created a plan that would lead to self-sufficiency, and not public assistance.

Shamima and Emani entered the Rights of Passage Program in November, 1993. By making a clear and determined commitment, she progressed rapidly through the program. She participated in the clerical skills training program, while Emani was cared for at the Infant-Toddler Center, and she soon had the skills to find suitable employment. In the evenings, Shamima attended GED classes taught by the Educational/Vocational Department and she received her General Equivalency Diploma. Her mentor, Linda, the creative director of a prominent advertising agency, provided Shamima with support, advice and encouragement throughout her stay.

In August, 1994, Shamima and Emani graduated from the Rights of Passage Program. Shamima is currently employed as a control assistant for the Teachers' Insurance Company, and is able to pay for private child care for Emani while she works. Shamima and her daughter are living independently in the Bronx, in an apartment leased by the Covenant House Apartment Program.

#### **In Closing**

These programs have restored hope to hundreds of young men and women. We are encouraged by their success and by the positive results in the work we have done. We believe that Covenant House can serve as an effective model for other youth agencies, and will continue to develop programs that build working partnerships with the business sector to create opportunities for our youth. There is promise for the future of America, and it is growing in the spirit and the energy of these young people.

**Testimony on the Child Care Provisions  
of the  
Personal Responsibility Act of  
the Contract with America**

**Submitted to the  
Subcommittee on Human Resources  
Committee on Ways and Means  
U.S. House of Representatives**

**Thursday, February 2, 1995**

**As Prepared by  
Roberta A. Wroblewski &  
Elissa J. Bassler  
Advocacy Department  
Day Care Action Council of Illinois**

Established in 1969, the Day Care Action Council of Illinois (DCAC) is a not-for-profit membership organization of parents, child care centers, home day care providers, educators, and others who are dedicated to the promotion and expansion of quality child care services in Illinois. DCAC believes that child care should enhance family and community life. It is therefore DCAC's mission to achieve affordable, available, quality child care for all families who need it.

DCAC thanks the Committee for the opportunity to submit comments to the on the Personal Responsibility Act and offers the following testimony:

**Welfare Reform: the Need for Increased Federally Subsidized Child Care**

The Personal Responsibility Act aims to move families from the welfare rolls to the work place; however, it does not provide sufficient child care support to sustain this transition. Child care is obviously a key component to making this transition permanent because very few low-income families can afford to have a potential wage-earner stay home full-time to take care of their children. **If the federal government is truly serious about reforming welfare, subsidized high-quality child care must be rapidly expanded in order to allow families to both work and protect their children.**

Within the last decade, the federal government has made laudable strides toward reaching this goal. The first substantial enhancement was included in the Family Support Act (FSA) of 1988 by way of a Child Care Guarantee for all working parents on or newly off of AFDC through (Social Security Act) Title IV-A funds. These enhancements included the year-long Transitional Child Care entitlement, established specifically for those families just off of AFDC. Later, in 1990, a capped entitlement program was also established, the IV-A "At-Risk" program, for families at risk of being on AFDC. All of these IV-A funds require a minimum state match of 50 percent. At that same time, a non-matched discretionary child care subsidy for the working poor was established through the Child Care and Development Block Grant (CCDBG).

Despite these major gains, the federal child care subsidies still do not meet the country's current need. This insufficiency remains a huge barrier to welfare reform success.

**Title IV-A Child Care Entitlements Must Remain Intact**

The Personal Responsibility Act currently prescribes the creation of a general federal child care block grant including some, if not all, Title IV-A child care entitlements and all other federal child care programs. This block grant, like that proposed under the PRA for welfare services other than child care, is to be handed to states with few regulatory strings attached.

Given a finite amount of federal dollars, states will be under tremendous pressure to stretch these dollars as thinly as possible. Many states will be likely to place increased work requirements and cash-grant time limits on AFDC families. These families must have child care assistance or be forced to leave their children in highly undesirable and often dangerous situations while they are at work or in training. In order to meet the child care needs of AFDC families, states will be forced to allocate much, if not most, of their CCDBG and other working poor child care money toward this end. If states opt to use for AFDC families money previously available to working poor families, the number of families eligible for AFDC will without question sky-rocket thus defeating the purpose of the PRA. Child care assistance too often separates who is a working poor family from who is a welfare family.

**The current FSA child care guarantee to families on AFDC or in their first year of transition from AFDC, is essential to the promotion of true financial stability among very low-income families.**

**Currently Insufficient Funding Levels in Federal Child Care Subsidies Must Not Suffer the 10 to 20 Percent Cut Proposed by the PRA**

While the Day Care Action Council of Illinois supports the consolidation of *non-entitlement* federal child care programs (including the CCDBG, the IV-A "At-Risk" program, the Social Services Block Grant funds now allocated to child care, and the Dependent Care Block Grant), these funds, pooled or not, *must not be reduced by the PRA's slated 10 to 20 percent, even in light of possible savings due to streamlining.* These savings are much better used for the improvement or expansion of child care services for some of the millions of children in working poor families who are now forced into marginal, if not dangerous, child care situations because their parents are unable to pay for better quality care without a subsidy.

The evidence of the need for MORE, not less, federal child care subsidies is found in long waiting lists for child care subsidies nationwide. In Illinois, over 30,000 families are on waiting lists for working poor subsidies, such as the CCDBG. Since Illinois reached its IV-A "At-Risk" cap in September, 1993, an estimated 167 families a month have been left without child care assistance after their Transitional Child Care ran out. Many of these working poor families have been forced to scrape together admittedly very low quality child care arrangements or simply stop working because they cannot afford child care at all; many have been forced to go back onto AFDC.

A 1991 study commissioned by the Illinois Department of Public Aid (IDPA) revealed that finding and affording reliable child care may well be *the single most important factor* for parents seeking to get off and stay off welfare in Illinois. Of the 3,800 single-parent families surveyed, child care problems prevented 42 percent of them from working and 39 percent from going to school full time. In addition, 42 percent of the teenage parents surveyed reported they had to quit school within the last year because of child care problems. The most dismaying result of the survey was that 20 percent of the entire sample said they had to return to public aid *within a year* because of child care difficulties.

**Minimal Health and Safety Standards Must NOT be Dismantled**

Currently, states must present the federal government with a plan of how they intend to use CCDBG money. These plans must meet minimal federal health and safety standards. By contrast, the child care block grant proposed by the PRA would have no such minimal quality standards putting at risk millions of children in federally subsidized care. Without these standards, the variability in the quality of child care paid for with taxpayers' dollars will be vast. It is wrong for the federal government to abdicate responsibility for minimally protecting children in federally subsidized programs.

**Federal Payment Rate Requirements and Quality and Supply Building Set-Asides Must Be Maintained**

Beyond a lack of minimal health and safety requirements, the proposed PRA child care block grant threatens to promote decaying levels of quality in the federally subsidized system because no payment rate levels nor quality and supply building set-asides are prescribed. Both of these measures have worked to improve provider rates and consequently quality. These effects have clearly maintained and increased the integrity of the federally subsidized child care system and provided families low-income families quality choices. This relationship is detailed below.

Low payment levels severely limit the number of providers of quality care who are willing or able to accept subsidized clients. Current estimates in the state of Illinois indicate that as a result, at least one-third of all IV-A child care providers and one-fifth of CCDBG providers are license-exempt home providers. Government funds are therefore often spent on providers who have not met even the minimal standards of quality achieved through the licensing process. In Illinois, basic safety standards are met by license-exempt providers according to self-report only. Many states have no minimum standards for license-exempt care. A California study of license-exempt and home care providers found that 5 percent of such providers had criminal records, and 60 percent of the 5 percent had been convicted of child abuse. Only 19 states currently conduct criminal background checks on license-exempt providers.

In addition to the pressures on *quality* caused by low provider rates, low provider rates can have a substantial impact on the *supply* of quality care. The IDPA study of current and former AFDC recipients referred to above verified the particular difficulty that such parents have in securing high quality care. Over 65 percent relied exclusively on informal home care arrangements -- 77 percent were using informal arrangements as some part of a mix of child care arrangements, despite the fact that over half of these parents would have preferred licensed, formal child care settings. This is due not only to payment rates but also to the type of work and school arrangements public aid recipients most often find. Low paying jobs, part-time jobs, and jobs that require working nights and weekend shifts are typical of the type of work presently available to those with the low-skills that are characteristic of the AFDC population. As a result, such low-income parents need the least expensive and most flexible kind of care, often involving multiple providers. Fully 70 percent of the sampled parents reported problems when their usual child care arrangements fell through. Unsurprisingly, these parents experienced more child care-related absenteeism and late arrivals at work and school than did those parents using center-based care. Were licensed child care available to these families at untraditional hours, these problems would be greatly diminished.

Licensed care too often is not an option for poor families, even if they work standard daytime hours, because it is extremely scarce in low-income neighborhoods. The same IDPA study found that the statewide ratio of children under ten per licensed care slot was twelve children per slot statewide. Tellingly, this ratio was 10.3 children per slot in the highest income zip code-determined quintile, 16.1 children per slot in the lowest income quintile, and a full 18 children per slot in inner city zip code areas. The study found that while most of the few licensed providers in low-income areas accept subsidized clients, many reported that they had to limit the number of subsidized children they could accept because most state rates fell short of their actual cost of care by an average of 23 percent.

In sum, high quality child care is currently provided through government funds only when the subsidized client works standard daytime hours and the particular provider is highly skilled and devoted to the child(ren) under care *and willing to subsidize the provision of quality care through her or his low wages*. Poor families have clearly been relegated to informal, unlicensed care lacking objective standards of quality. It is imperative that more federal funds be allocated toward expanding the amount and types of licensed care available (e.g., offering nighttime hours) and assisting informal providers in achieving and maintaining high levels of quality (e.g., through training and resources).

The Committee must understand that because payment rates for child care providers are so low, child care staff turnover rates can reach as high as 40 percent, particularly among

subsidized providers. Child care providers many times seek another type of work because of the universally low wages. This inconsistency in care providers clearly has negative developmental implications, particularly for at-risk children.

The government must lead the way in monetarily valuing the work of the professionals caring for our children during the children's most critical developmental period. Minimum payment rate standards, even higher than the current 75th percentile of market rate, would greatly foster the much-needed expansion of the supply of higher-quality licensed child care available to the poorest families. The alternative is continued use of government funds for unstable, lower quality environments which we know can be irreparably damaging to our most vulnerable children.

#### Children Must Be Fed Nutritious Meals While In Child Care

Lastly, committee members should know that one of the most dangerous threats to working poor families posed by the PRA is the dismantling of the Child and Adult Care Food Program through the PRA's formation of one nutrition block grant and removal of federal nutrition requirements. For thousands of working poor Illinois families, this change will mean either increases in their child care costs or the loss of nutritious meals for their children. The proposal to incorporate the CACFP in a block grant would lead to serving some children and not others in small family day care homes, long waiting lists, and the removal of one of the few incentives to day care homes to become licensed and regulated, moving much family day care underground. The resulting turmoil in the child care community would be tremendous. More importantly, the need for good nutrition in the formative years of a child's life is obvious to every member of the Committee. That the PRA adopts this measure, in addition to all the other harmful measures listed above, in order to save federal dollars is ludicrous.

#### Conclusion

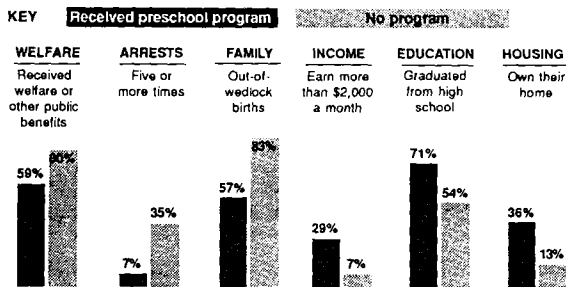
To close, please review the graphic displayed below. Here all members are able to see why federally subsidized early childhood programs are not only humane, but ultimately cost efficient. If the Committee members are honestly intent on reducing the federal deficit and minimizing the need for government spending and intervention, *prevention* must be the underlying theme of new federal social program policies. Prevention is epitomized by sufficient child care funding which results in sound early childhood environments for at-risk families wanting to break free from intergenerational cycles of poverty.

From *The New York Times*, Friday, December, 30, 1994:

Decreasing child care programs by even 20 percent will only lead to much greater costs later, as seen in this graph.

### How a Preschool Program Changed Lives

A research group in Michigan randomly divided 123 3- and 4-year-olds born into poverty into two groups: one that received high-quality preschool education and one that did not. At age 27, 95 percent of the participants were interviewed. Here are the results.



Source: HighScope Education Research Foundation

**STATEMENT OF CONCERN BY 470 LAW PROFESSORS  
ABOUT WELFARE REFORM**

A recurring feature in recent political rhetoric is the demand to "end welfare as we know it." In 1994, the Clinton administration introduced its proposed welfare reform package, entitled "The Work and Responsibility Act." Welfare reform promises to be a central item on the agenda when the 104th Congress convenes in January and is a focal issue in the ten-point "Contract with America" signed by Republican members of the House of Representatives. The draft "Personal Responsibility Act" ("PRA"), which elaborates on the proposals in the Contract, will likely be a major focus of attention.

The PRA raises questions of political morality, fairness, decency, and constitutionality. Its impact on Americans who are in poverty, the majority of whom are women and children and a disproportionate number of whom are African-American, is potentially catastrophic. Media coverage of the PRA has brought attention to the numerous problems with the PRA's call for the building of orphanages to accommodate the anticipated number of children whose parents will not be able to provide adequate care after the decimation of existing benefit programs. However, equally devastating, and more likely to be implemented, are such proposals in the Act as "drop dead" time limits for receipt of aid during one's lifetime, far-reaching "child exclusion" provisions premised upon marital status and the circumstances of a child's birth, and the exclusion of legal immigrants from nearly sixty federal programs. The measures of the PRA are drastic, punitive, and inappropriate. They are reminiscent of the nineteenth century, when assistance programs explicitly stigmatized poor individuals and families by distinguishing between those considered morally "deserving" and those viewed as "undeserving," and provided for the separation of families based on their poverty alone.

The PRA's many proposals to withhold aid to children based on the "morality" of their parents most vividly illustrate this nineteenth-century approach to poverty. For example, one stated goal of the PRA is to deter "illegitimacy," by requiring states to deny aid throughout childhood to a child born outside of marriage if the mother is under age 18 or to a child born within 10 months of the mother's receipt of AFDC. At their discretion states could deny aid to any children born to an unmarried mother under the age of 21. The PRA would also deny aid to a child until her or his paternity was established. Moreover, the PRA would exclude legal immigrants from a vast array of federal programs, including medical assistance, school lunches, and emergency food and shelter grants.

These types of provisions appear to raise equal protection concerns under Supreme Court precedent that prohibits states from burdening children born outside of marriage in an attempt to punish parental conduct. These provisions may also violate due process by placing unconstitutional burdens upon a woman's fundamental right to make procreative decisions free from governmental interference. Indeed, a constitutional challenge on such grounds is already under way in New Jersey, one of the several states that recently adopted one type of child exclusion provision by the PRA -- a denial of additional benefits for a child born while his or her mother is on AFDC.

Similarly, the exclusion of children whose paternity has not been established also penalizes children for circumstances entirely out of their control. It also ignores the difficult circumstances which poor mothers face in seeking to establish paternity, including the threat of domestic violence. In addition, even the most vigorous child support enforcement program cannot wholly alleviate child poverty. Many fathers are themselves impoverished and lack the resources to support their children at a level that would bring them out of poverty.

The PRA tries to achieve welfare reform without increasing any federal expenditures. In actuality, the PRA achieves these ends only by shifting costs and programs to the states. The Act caps the spending growth of several major welfare programs and ends the "entitlement" status of a number of programs, including state entitlement to matching funds. These spending caps would subject assistance programs to the vagaries of the annual appropriation process. Whether states opt to stay in the

AFDC program or take the route of block grants, the PRA will afford states both the authority and the incentive to make significant reductions in funding of programs and coverage, triggering such likely consequences as waiting lists and suspended benefits. Such measures will exacerbate, not alleviate poverty.

It is unrealistic to try to achieve welfare reform without talking about increases in expenditures. As the debate about the Clinton plan already reveals, ending poverty requires significant "human resources" investment in job training and job creation, child care, education and the like. The PRA would do little or nothing to address these needs, and instead would impose work requirements vastly exceeding those of any state-tested programs. These requirements are likely to deprive children living at home with only one parent of virtually any parental care even during the time that they receive AFDC.

Legislation like the PRA fails to grapple with the real problems contributing to poverty in America: the impact upon women and children of plummeting real wage levels, the consignment of women to low-wage jobs, and the impact upon poor women and men of structural employment linked to broader changes at the national and international level in the economy and in the labor market. Exclusive focus on "personal responsibility" ignores these structural factors contributing to poverty, as well as our collective responsibility to provide a social safety net to obviate against recurring and inevitable poverty.

The goal of real welfare reform should be directed toward ending poverty, not welfare. The solution is not to remove the social safety net, endanger the lives and health of millions of children, and demonize and punish their caretakers. We urge Congress to accept its responsibility to work for meaningful welfare reform.

This Statement of Concern was prepared by Matthew Diller, Fordham U. School of Law, Martha Albertson Fineman, Columbia U. School of Law, Linda C. McClain, Hofstra U. School of Law, and Kendall Thomas, Columbia U. School of Law.

#### SIGNATORIES TO STATEMENT OF CONCERN BY LAW PROFESSORS ABOUT WELFARE REFORM

(Institutions are listed for identification purposes only. Accordingly, this statement reflects the views of its individual signatories, and not the institutions with which they are affiliated.)

David Abraham, U. of Miami School of Law  
Bill Adams, Nova Southeastern U. Shepard Broad Law Center  
Jane H. Aiken, U. of South Carolina School of Law  
Janet Ainsworth, Seattle U. School of Law  
Anthony V. Alfieri, U. of Miami School of Law  
Vanessa Alleyne, Seton Hall U. School of Law  
Anne Alstott, Columbia U. School of Law  
Alicia Alvarez, De Paul U. College of Law  
Anthony G. Amsterdam, New York U. School of Law  
Claudia Angeles, New York U. School of Law  
Fran Ansley, U. of Tennessee School of Law  
Annette Appell, Northwestern U. School of Law  
Ellen F. Aprill, Loyola Law School, Los Angeles  
Barbara Balch, U. of Baltimore School of Law  
C. Edwin Baker, U. of Pennsylvania Law School  
Paris R. Baldacci, Yeshiva U., Benjamin Cardozo School of Law  
Beverly Balos, U. of Minnesota Law School  
Mark Barnsberg, Columbia U. School of Law  
Yvette M. Barksdale, John Marshall Law School  
Cynthia Barnes, U. of Illinois College of Law  
David R. Barnhizer, Cleveland State U., Cleveland-Marshall College of Law  
Margaret Martin Barry, Catholic U. School of Law

Jon Baner, U. of Connecticut School of Law  
Mary Becker, U. of Chicago Law School  
John S. Beckerman, Yeshiva U., Benjamin Cardozo School of Law  
Stephen Befort, U. of Minnesota Law School  
Deborah Hodges Bell, U. of Mississippi School of Law  
Peter Bell, Syracuse U. College of Law  
Jonathan Ben-Asher, Yeshiva U., Benjamin Cardozo School of Law  
Susan D. Bennett, American U., Washington College of Law  
Laura Berend, U. of San Diego School of Law  
Paula Berg, City U. of New York School of Law  
Nathaniel Bernman, Northeastern U. School of Law  
Adele Bernhard, Pace U. School of Law  
Sandra S. Beres, U. of Tasmania, Australia  
Arthur L. Berney, Boston College School of Law  
Barbara Berdek, U. of Maryland School of Law  
Ashutosh Bhagwat, U. of California, Hastings College of Law  
Andres Bierstein, Western New England College School of Law  
Mary Le Bilek, City U. of New York School of Law  
Barbara Black, Pace U. School of Law  
Barbara Aronstein Black, Columbia U. School of Law  
Marianne Blair, U. of Tulsa College of Law  
Gary Blas, U. of California at Los Angeles School of Law

- Beryl Blaustone, City U. of New York School of Law  
 Frank S. Bloch, Vanderbilt U. School of Law  
 Carolyn Patty Blum, U. of California, Boalt Hall Law School  
 Karen M. Blum, Suffolk U. Law School  
 Mary Anne Bobinski, U. of Houston Law Center  
 Charles S. Bobis, St. John's U. School of Law  
 Kathleen Bontang, Seton Hall U. School of Law  
 Jim Boskey, Seton Hall U. School of Law  
 Bruce Boyer, Northwestern U. School of Law  
 Joe Braccittia, Pace U. School of Law  
 Shirley Bradman, American U., Washington College of Law  
 Melinda Branscomb, Seattle U. School of Law  
 Jean Bratcher, U. of Cincinnati College of Law  
 Daan Braveman, Syracuse U. College of Law  
 John Brittain, U. of Connecticut School of Law  
 Katherine S. Broderick, District of Columbia School of Law  
 Mark Brodie, Boston College Law School  
 Susan L. Brooks, Vanderbilt U. School of Law  
 Ron Brundy, U. of Miami School of Law  
 Judith Olaus Brown, Northeastern U. School of Law  
 Robert Brown, U. of Detroit Mercy School of Law  
 Carol S. Bruch, U. of California at Davis School of Law  
 Jerome S. Bruner, New York U. School of Law  
 Stacy Brustin, District of Columbia School of Law  
 Sue Bryant, City U. of New York School of Law  
 Mary Garrett Banker, U. of Tennessee College of Law  
 Bari Burke, U. of Montana School of Law  
 Sarah E. Burns, New York U. School of Law  
 Donna M. Byrne, Widener U. School of Law  
 Naomi R. Cahn, George Washington U. National Law Center  
 John O. Calmore, Loyola Law School, Los Angeles  
 Janet Calvo, City U. of New York School of Law  
 John J. Capovilla, Widener U. School of Law  
 June Carbone, Santa Clara U. School of Law  
 Mary Anne Case, U. of Virginia School of Law  
 Rosanna Cavallaro, Suffolk U. Law School  
 Ellen Chamnick, Columbia U. School of Law  
 R. Alta Chao, U. of Wisconsin Law School  
 Oscar Chase, New York U. School of Law  
 Jim Chen, U. of Minnesota Law School  
 Margaret Choo, Syracuse U. College of Law  
 Christine Cimini, Yale Law School  
 Elizabeth Clark, Boston U. School of Law  
 Natalie Loder Clark, Northern Illinois U. College of Law  
 Sherry Colb, Rutgers, The State U. of New Jersey School of Law, Camden  
 Doug Colbert, U. of Maryland School of Law  
 David Cole, Georgetown U. Law Center  
 Liz Ryan Cole, Vermont Law School  
 Mary Connors, U. of Miami School of Law  
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 Rhonda Copelon, City U. of New York School of Law  
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 Drucilla Corrad, Yeshiva U., Benjamin Cardozo School of Law  
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 Toby Golick, Yeshiva U., Benjamin Cardozo School of Law  
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 Michael Herz, Yeshiva U., Benjamin Cardozo School of Law  
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 Mark J. Heyman, U. of Chicago Law School  
 Tracy Higgins, Fordham U. School of Law  
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 Jonathan Hyman, Rutgers, The State U. of New Jersey, S.I. Newhouse Center of Law & Justice  
 Lisa Iglesias, Rutgers, The State U. of New Jersey, S.I. Newhouse Center for Law & Justice  
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 Sylvia Law, New York U. School of Law  
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 Guadalupe T. Luna, Northern Illinois U. College of Law  
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 Binny Miller, American U., Washington College of Law  
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 Wendy E. Parmet, Northeastern U. School of Law  
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 Twila Perry, Rutgers, The State U. of New Jersey, S.I. Newhouse Center for Law & Justice  
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 Dan Pochoda, City U. of New York School of Law  
 Nancy Pollkoff, American U., Washington College of Law  
 Terrell Pollman, Stetson U. College of Law  
 James G. Pope, Rutgers, The State U. of New Jersey, S.I. Newhouse Center for Law & Justice  
 Edward A. Purcell, Jr., New York Law School  
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 Kathleen A. Sullivan, Yale Law School  
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 Nadine Tash, Rutgers, The State U. of New Jersey, S.I. Newhouse Center for Law & Justice  
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 Gloria Valencia-Weber, U. of New Mexico School of Law  
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 Stephen Zorn, Pace U. School of Law  
 Mary Marsh Zolack, Columbia U. School of Law

## STATEMENT OF RAYMOND CEBULA AND LINDA LANDRY DISABILITY LAW CENTER

The following comments are provided by Raymond Cebula, Senior Staff Attorney and Linda Landry, Staff Attorney of the Disability Law Center, Boston, Massachusetts. The Law Center, through its Disability Benefits Project, provides technical advice and support to the private and public bars of Massachusetts engaged in the practice of SSI and Social Security law and has acted in this capacity since 1983. The Project's staff members have cumulatively practiced in the areas of SSI and Social Security law for approximately twenty-five years and are recognized experts in this area. The comments will address the SSI program generally and then turn to brief discussions of the SSI program and its relationship to children, legal immigrants and individuals disabled due to a substance abuse impairment.

SSI is a federal program administered by the Social Security Administration that provides income assistance to low-income elderly, blind and disabled individuals. The SSI program was created in 1972 to provide uniform national standards of eligibility and to replace state programs that provided disparate assistance to the elderly, blind and disabled. In Massachusetts, some 150,000 individuals receive some amount of SSI. As Massachusetts provides a state supplemental payment, not all SSI recipients receive federal cash payments. The 1995 maximum monthly benefit paid to a Massachusetts individual, by category of eligibility is: \$586.82 (aged), \$572.39 (disabled), and \$607.74 (blind).

Although SSI helps to reduce the effects of poverty, it does not lift eligible individuals from poverty. While originally intended to reach to poverty threshold, federal payments provide amounts sufficient to meet only 75% of the current, individual poverty level. Despite the Massachusetts state supplemental payment, SSI recipients are forced to continue to live with income below the poverty level.

### SSI BENEFITS AND DISABILITY DUE TO A SUBSTANCE ABUSE IMPAIRMENT

SSI eligibility is afforded to individuals disabled due to a substance abuse impairment if those individuals meet the medical criteria set forth by the Secretary. These individuals are also required, by federal statute, to receive SSI payments through a representative payee and to actively participate in appropriate treatment. Most recently, the 103rd Congress has limited SSI payments to this group of beneficiaries for a maximum of 36 months over the beneficiary's life time, whether or not treatment is available.

It is important to note that an individual is not disabled because that individual abuses legal or illegal substances. The individual is determined to be disabled by looking to other physical or mental impairments. For instance, an alcoholic will not be determined to be disabled because she drinks, but may be determined to be disabled because her liver function has deteriorated to an extent considered disabling by the Secretary. As a result, a person with a history of alcohol abuse may be disabled for reasons apart from the alcohol abuse.

The requirement that an SSI recipient engage in treatment has long been a part of the SSI program; however, one that SSA has lackadaisically enforced. Massachusetts has experienced a dramatic increase in the rate of enforcement during the last calendar year. SSI recipients are being evaluated and successfully referred to treatment programs as treatment slots become available. As a result, many SSI recipients are now receiving the treatment that

they are not only required to comply with but need to enable them to become independent of benefits.

While we feel that the SSI program for individuals disabled due to a substance abuse impairment is sufficiently restrictive, we are concerned with Congress' decision to limit benefits to a 36 month period whether or not treatment is available. In order for a treatment requirement to be meaningful, treatment must be available. It is important to remember that while Congress has put several restrictions on this program, it provided no extra funding for the treatment that it was requiring. The incredibly small number of treatment slots and the resultant wait lists for placement add to the punitive nature of the SSI 36 month limit. Congress should act to allow SSI recipients the same consideration of treatment needs and realities that it has allowed SSDI recipients. The 36 month restriction should apply only in situations where treatment is available to those in need.

#### THE SSI PROGRAM FOR CHILDREN IS A PROGRAM THAT WORKS

The purpose of the SSI program is to provide income for basic needs for persons with low income who are aged, disabled or blind. The SSI program works for children and their families because it promotes work and family stability and encourages low income families to stay together and care for their disabled or blind children at home. Families raising children with significant physical, developmental or mental disabilities frequently have both higher expenses and less income to meet those expenses.

The care and treatment needs of a disabled child frequently require a parent to remain at home or to work part-time outside the home, decreasing available family income for basic food clothing and shelter needs. The care and treatment needs may be medical or may simply be the increased time a parent needs to spend helping the child to learn school work, to be self sufficient or to gain social skills. Specially trained child care is hard to find or too expensive for low income families, and children with severe emotional or behavioral problems are often hard to place or retain in child care. Further, the realities of the workplace are such that parents who must frequently take time off from work to care for sick children, take children for treatment, or attend school or treatment conferences will often find themselves involuntarily unemployed. This is especially true for parents working at the lower end of the economic scale, where there is typically less flexibility in work schedules and less tolerance of absences. Other parents have decreased ability to move up the economic ladder by changing jobs because they need to protect current health benefits or remain in a school district or area that has the necessary services for their child.

In the face of decreased earning potential to meet basic needs, parents of disabled children also face increased costs. These may include increased utility and telephone bills, increased transportation expenses, higher child care costs, specially adapted clothing, toys and learning materials, home modifications, copayments and deductibles for medical treatment, and over-the-counter items not covered by insurance, such as diapers for older children, wigs, special diets, special creams for skin conditions, etc. It is impossible to come up with a complete list because the needs of children with severe disabilities are so varied and complex. Parents, either alone or working with treatment providers, are in the best position to recognize what a child needs to maximize function and potential and to provide for it with the least amount of delay. Further, experience has shown that it is always expensive in dollar terms and usually expensive in human terms to try to replace family care.

#### CASH BENEFITS ARE NECESSARY TO FAMILIES WITH DISABLED CHILDREN

The SSI cash benefit program is a well-designed program that both

allows parents to determine and meet the needs of their children with disabilities and provides the benefits on a sliding scale. The program takes parental income into account in determining the amount of the child's benefit, so that the lowest income families, those that need some additional income to meet basic necessities and stabilize family life, receive the largest cash benefit. There is also growing evidence of the correlation between poverty and certain disabilities, e.g., poor living conditions and respiratory impairments, and poor nutrition and cognitive impairments. The cash benefit helps poor families provide for such basic necessities. As parental income increases and more money is available for basic needs, the cash benefit decreases. The following are examples of the impact of a child with severe disabilities on low income families and how those families have used the cash benefit to stabilize family life and provide for their disabled children.

The first case involves a young child with a birth defect causing kidney and bladder dysfunction. She lives at home with her mother and siblings. Several surgeries have failed to correct the condition, which causes frequent pain, chronic infections and multiple hospitalizations. The child's care needs create a financial burden and require a lot of care and attention from her mother. Prior to the child's eligibility for SSI benefits, the mother was struggling to both attend to her child's needs and to support her family with income from part-time work as a nurse's aide and some child support. The additional money for this child from the SSI program has meant security for the child and has been a tremendous help to this family.

The second case concerns a family with two young children with severe disabilities. Both children live at home with their mother. One child has severe ADHD requiring multiple medications. Despite the medications, the child has significant problems socially and with school work. The other child has ADHD, has been affected by lead paint poisoning, and is recovering from severe burns to the head and upper body. The burn accident occurred when the mother was cooking and was on the telephone with the other child's doctor. The child has had recurrent infections requiring hospitalization, has had three surgeries and faces at least three more for skin grafts. Both children receive multidisciplinary medical care and also require a lot of care and attention from their mother. When the family received only AFDC, the mother had to juggle payments for rent, food, heat and basic clothing. The SSI income of the children has not only resulted in more security and stability for the children, but has also allowed their mother to better meet their specific functional needs. For example, she has been able to purchase books with tapes to help with reading, flash cards to help with math, art supplies to help with motor coordination, and soft all cotton clothing for the child with burns. She also plans to purchase an air conditioner for the burned child's room because she gets itchy and uncomfortable in the heat of summer. The mother also reports that she can now afford simple things that help foster self-esteem in her children - like a birthday party, a hair cut when it's needed, and better fitting clothes. She says that her children are making progress.

THERE IS NO EVIDENCE THAT GROWTH IN THE SSI PROGRAM FOR CHILDREN IS DUE TO FRAUD OR ALLOWANCES FOR MINOR IMPAIRMENTS

Although stories continue to circulate that the SSI disability standard for children is easily met and manipulated, this is simply not the case. Children do not qualify for minor problems solely on the basis of behavior or on reports from nonprofessionals. A child must present medical documentation from a doctor that shows severe physical or mental impairments to begin the disability review process. Then, information from a variety of other sources who have observed the child function over a period of time may be considered to help determine the extent of impairment. Children do not qualify just because their behavior is not entirely age

appropriate. Only significant deviations from age-appropriate functioning in multiple areas of average childhood functioning will result in eligibility. The review system, which includes agency doctors, is designed to weed out claims for minor problems or cases in which applicants try to game the system. Persons who have gotten a different message will see their applications denied. This is borne out by the fact that about 50% of the applications are denied nationally. Further, the Social Security Administration's Quality Assurance reviews of allowances in this program have shown that only 6% contained errors of any kind, and only 2% were allowances that should have been denials, a rate comparable to adult allowance errors.

Although allegations that parents have been coaching children to appear disabled have received much attention, there is no evidence that any child has qualified for SSI for this reason. SSA has conducted the only thorough, objective investigation of these allegations. The report, documenting review of 617 school-related behavior disorder allowances and denials, is entitled, Findings from the Study of Title XVI Childhood Disability Claims, May 1994. Possible coaching was found in only 13 of the 617 cases reviewed. Of the 13, 10 were denials and 3 were allowances, with all three grounded upon independent non-coaching related bases for the awards. Not one case was allowed on the basis of even "possible" coaching.

The reasons for the increase in the SSI program for children since 1990 are more varied than have been reported. The U.S. General Accounting Office in its report, Rapid Rise in Children on SSI Disability Rolls Follows New Regulations, September 1994, (GAO HEHS 94-225), found that only 30% of the increase was due to the individualized functional assessment added by the U.S. Supreme Court's 1990 decision in Zebley. 70% of the increase is due to children meeting the more restrictive medical standards in SSA's listings of impairments. Prior to Zebley, the childhood disability analysis stopped with the listing of impairments. The problem with a definitive listing of disabling impairments is that it will always be out of date and incomplete. Some of the increase in the SSI program for children includes children belatedly qualifying with such severe disabilities as cystic fibrosis and muscular dystrophy who were denied pre Zebley because their disabilities did not specifically match any on the list. Some of the increase is also due to the fact that several of the listings have been recently updated and revised. Other reasons for the increase include an outreach program by SSA, and a rise in the number of children living in poverty, increasing the number of disabled children who are financially eligible for SSI.

Congress should not act in haste to cut this beneficial and well designed program. The program already has regulatory mechanisms in place that could be used to address some of the alleged problems. Children receive their SSI cash benefits through a representative payee, usually a parent, who must spend the money in their best interest and account for it. If there is real concern that SSI benefits are being misused, SSA could increase its oversight and instructions to representative payees. SSA is also required to conduct continuing disability reviews at intervals that vary with how long the child's disability is likely to last. SSA has already committed to conducting continuing disability reviews in the SSI program for children. Finally, the Social Security Administrative Reform Act of 1994 required SSA to appoint a commission to study the SSI program for children and provide a report of its recommendations by Fall 1995. Congress should at least wait for the study report before making any changes in this program. To do otherwise risks allowing rumor an innuendo to dictate federal policy.

# CUTTING BENEFITS FOR LEGAL ALIENS WILL NOT SIGNIFICANTLY REDUCE FEDERAL SPENDING

The entire SSI program represents only 3% of federal entitlement spending and only 1.6% of total federal spending. Only 1% of SSI recipients are legal aliens (illegal aliens are not eligible for the SSI program). One-third of the SSI recipients who are legal aliens are refugees or other immigrants escaping repressive governments such as those of Laos, Vietnam, Romania, and Cuba. Therefore, cutting benefits to legal aliens will have very little impact on reducing total federal spending. It will, however, eliminate cash assistance to the most vulnerable elderly and disabled, including persons who work, often in the heaviest, most dangerous jobs, pay taxes, and become disabled after they come to the U.S.

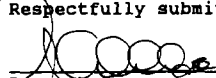
Further, Congress has already reduced SSI eligibility for legal aliens. Despite 1990 census data showing that immigrants who come to reunite with family members use public assistance at lower rates than natives, Congress last year increased from 3 to 5 years the period during which the income and resources of an immigrant's sponsor can reduce or prevent SSI eligibility. Further cutting of SSI eligibility for legal immigrants feeds the myth that immigrants are abusing the SSI program and amounts to scapegoating.

## CONCLUSION

1. The SSI benefits paid to individuals disabled due to a substance abuse impairment have been sufficiently restricted and conditioned to allow Congress to feel comfort in its expenditures. In fact, the major issue to be dealt with by this Congress should be the lack of available treatment for this population.
2. Internal SSA and GAO studies have proven that the rumors concerning the children's SSI program are not overblown and unfounded. Concerns of parent coaching and benefits awards for minor behavior problems must be seen as the isolated instances they are and should not be the basis of federal policy. Congress should act to rebuild the public's confidence in this beneficial program rather than succumb to the rumor mill.
3. Eliminating benefits to legal aliens will not save sufficient funds to make any impact on the federal or SSI budget.
4. Congress must look to the SSI program's work incentive provisions in order to find an effective means of moving recipients from benefits to financial independence. The SSI work incentive program is a great model of the gradual transition needed by disabled individuals. Unfortunately, only a very small number of SSI recipients are participating due to a lack of awareness on the part of the public of the existence of the program. Congressional affirmance of this program with instructions to SSA for new outreach and emphasis will produce results far superior to the slash and burn methods being proposed.

Thank you for considering these comments during your deliberations.

Respectfully submitted,

  
Ray Cebula  
Linda Landry  
Disability Law Center  
11 Beacon St., Ste. 925  
Boston, MA 02108  
(617) 723-8455

LOU ANN BASSAN  
Family Law Reform News  
2547 Noriega Street #333  
San Francisco, CA 94122  
p/f: 415-753-8315

WRITTEN STATEMENT OF LOU ANN BASSAN

SUBMITTED FOR THE RECORD TO  
THE SUBCOMMITTEE ON HUMAN RESOURCES,  
COMMITTEE ON WAYS AND MEANS,  
U.S. HOUSE OF REPRESENTATIVES

ON THE SUBJECT OF WELFARE REFORM AND  
THE PERSONAL RESPONSIBILITY ACT AND THE FAMILY REINFORCEMENT ACT

Jan. 28, 1995

Phillip D. Moseley, Chief of Staff  
Committee on Ways & Means  
Subcommittee on Human Resources  
U.S. House of Representatives  
1102 Longworth House Office Building  
Washington, D.C. 20515

Dear Committee Members,

I am Lou Ann Bassan, attorney, fathers' rights advocate and publisher of Family Law Reform News. Please accept this as a formal/written request to provide me with a copy of the Hearing Record including my written testimony.

This statement is submitted on behalf of fathers in America who have been degraded from "father" to "visitor", with their only role being to provide financial child support. Governmental and societal forces have driven fathers out of the lives of their children with catastrophic results. We can no longer neglect the importance of fatherhood.

The Personal Responsibility Act intends to discourage illegitimacy by prohibiting welfare to minor mothers and denying increased AFDC for additional children while on welfare, cut spending for welfare programs, enact a two-year cap with work requirements to promote individual responsibility, and place children in orphanages if mothers are not financially responsible. The Family Reinforcement Act calls for greater child support enforcement, and other ideas.

These proposals are missing the mark. A great natural resource is being overlooked: FATHERS. Children should be placed with fathers before costly orphanages are considered.

Females will not stop having babies as long as payments are guaranteed from one source or the other, and as long as they are not held responsible. The prime motivating factor is money: either welfare benefits from the government or child support payments from the father.

The most important concept that this Congress can enact is that of an economic safeharbor for children. A child needs to be in the custody of that parent who is most financially capable of caring for him. Awarding custody of children to the parent most economically viable would result in an elimination of child support arrearages, enforcement bureaucracies (think of the savings to taxpayers!!!), and the ever-increasing and vitriolic hysteria about deadbeat dads and children living in poverty. In California, 13% of recipients of Aid to Families With Dependent Children are divorced mothers with primary custody. If custody was changed to the fathers, these mothers should be ineligible for welfare. That in itself would reduce California's welfare rolls by 13%.



If neither parent is financially sound, the options are adoption or an orphanage.

If both parents are financially capable, we need a national policy mandating equal joint physical and legal custody of children of divorce/separation. Mandatory joint custody is necessary to bring back the fathers into the lives of their children, and to recognize them as fathers, and stop reducing them to the status of visitor and wallet. This acknowledges that a child who has both parents actively involved in his/her life is less at risk for emotional problems, academic failure, substance abuse, teenage pregnancy, gang affiliation, juvenile delinquency, and poverty.

I make the following proposals regarding welfare recipients with this caveat. People, especially females, need to learn that whatever "rights" they have to bear children come with concomitant responsibilities to be able to care for those children. Rights are not absolute or discrete without responsibilities. If mothers don't want to be responsible, or cannot be responsible, then the children need to be removed. Condoning and rewarding females to have children they can't afford, and then allowing them to raise those children in abject poverty, is government sanctioned child abuse.

1a) If an unwed mother under 18 applies for AFDC, custody of the child should automatically be transferred to the father if he has a job. The mother would then be ineligible for AFDC. In the meantime, she could get a job, or the training/education necessary to get a job, without being burdened by child-rearing duties.

1b) If the father (of a baby born to a mother under 18) does not have a job, physical custody of the baby must be shared equally by the parents and their families. In no event should a parent under the age of 18 receive public benefits; they are still children (even if they are parents) and are the responsibility of their parents until age 18. Each family would care for the child while in its custody; there would be no transfer of money in the form of child support. If this is not possible, adoption or an orphanage would be the recourse.

1c) Upon turning 18, if neither parent has a job and can take the responsibility of custody from the family, the child must be placed for adoption or in an orphanage, which would guarantee the child a minimum standard of living. The child could be re-placed with a biological parent as soon as he or she has a job, if the child has not been adopted. This would provide an incentive to either one or both parents to get a job.

The obtaining of a job should not be conditioned on having a "well-paying" job, or "affordable" child care. There are plenty of immigrants who take the lowest level jobs (or two jobs) and work hard to get ahead. Apparently welfare is less demeaning than a low level job to many welfare recipients, which is a slap in the face to those immigrants who pay taxes to support the welfare system. As for affordable day care, parents need to make arrangements -- perhaps with other family members or neighbors -- just as so many of our citizens do. "Affordable" day care is not the taxpayers responsibility. Perhaps every sixth welfare mother could open a day care center to help her sisters.

2a) If an unwed mother over 18 applies for AFDC, custody of the child should automatically be transferred to the father if he has a job. The mother would then be ineligible for AFDC. In the meantime, she could get a job, or the training/education necessary to get a job, without being burdened by child-rearing duties.

2b) If neither the father nor the mother has a job, the child should be placed for adoption or in an orphanage, which would guarantee the child a minimum standard of living. The child could be re-placed with a biological parent as soon as he or she has a job. Again, this would provide an incentive to either one or both parents to get a job.

3) AFDC should be replaced by "Child Support Loans", similar to student loans. The loan would require cosigning by both parents, and both parents would be equally responsible for repayment of the loan. The loan would be available only once, ie, for the first child, and it would be capped at a fixed amount. There would not be any additional funds available for subsequent children. After all, other citizens who have children do not receive additional moneys from some source for having additional babies.

4a) Assuming some form of AFDC remains, a parent applying for benefits must prove that he or she has physical custody of the child in excess of 80% of the time (ie, at least 134.4 hours per week).

4b) AFDC must be capped. Two years has been suggested. Six months seems more appropriate.

Enforcement of child support is often touted as the solution to the welfare crisis. The welfare crisis is commonly confused with the issue of child support. Payment of child support is a major public policy concern, and the enforcement mechanisms are consuming ever-greater amounts of tax dollars. Yet, the effect is negligible: unwed births continue to soar, as do rates of juvenile delinquency, largely attributable to single-parent households headed by women. These fatherless households perpetuate the cycle of teenage motherhood. A public policy of endorsing joint custody is a prudent financial solution.

Turning our attention to non-welfare cases, I have the following suggestions:

5) The concept of an "economic safe harbor for children" would entail placing the child with the parent most capable and willing to assume the economic well-being of the child. Presumably, this would mean awarding custody to fathers in a far greater proportion than currently. The result would be an incentive to increase economic productivity on the part of both parents, which would reverse the current trend for both parents to decrease economic productivity until after the children attain the age of majority. For example, the mother may return to school and/or go to work and have more time for opportunities apart from child rearing. This can only lead to greater self-reliance and economic productivity and increased tax coffers.

The custodial parent currently has an incentive to financially exploit the noncustodial parent; the noncustodial parent resents being seen only as Mr. Moneybags, and accordingly his incentive decreases. With a rise in economic productivity we should see a rise in income tax collection from both parties.

6) Financial child support must be the responsibility of both parents. Financial child support awards should be assigned equally. Child support awards should be based on the actual costs of raising a child (for example, using AFDC amounts or the Lino study from the U.S. Department of Agriculture), rather than on Espenshade's study of average expenditures in intact families or on ability to earn. For example, if the necessary amount for one child is \$330, then each parent should be responsible for 50%, or \$165. A parent who is unable to provide \$165 per month should be conclusively presumed an unfit parent.

7a) There should be a federal preference for, or a mandate of, a presumption of joint custody if both parents have jobs. If only one parent has a job, that parent should automatically receive custody. One parent cannot have the luxury of staying home and not having a job. The nuclear family, with Dad as the breadwinner and Mom staying home is no longer the norm; approximately 10% of families fit into this category. This certainly should not be the norm for divorced or unwed families.

7b) Joint custody on a national level would help to promote

equality in post-divorce relationships, in keeping with the United States' equality movement of the past 50 years. The cost to government, if any, would be minor. At least 38 states have legislated joint custody, and 13 endorse a "preference" and/or "rebuttable presumption." The mobility of the population stresses the need for nationwide uniformity, and it would curtail jurisdiction shopping to seek or avoid joint custody.

Joint custody provides an example of problem-solving between the sexes and the courts in demonstrating that equality can prevail and that the courts and the government will not be used to discourage a parent's relationship with his child.

7c) Virtually every state law contains the policy directive that a minor child's frequent and continuing contact with both parents is in the child's best interests. This is the least drastic change for the child after divorce or separation and most mirrors the way things were before the divorce or separation.

Children raised by both parents sharing joint custody enjoy greater emotional, physical and psychological health, and perform better academically. A child benefits from knowing that both parents are interested in his well-being and companionship. A child raised by both parents is spared the tremendous guilt of having to choose or state a preference in court between his parents.

Children in joint custody arrangements can enjoy twice the good things in life: two bedrooms, two sets of toys, two wardrobes, two sets of friends, two sets of pets. Nurturing comes from two families, instead of just one.

In California, about 80% of all custody cases result in a decree of joint custody. Of the remaining hotly contested 20%, sole custody is awarded to the mother in 94% of the cases. A national preference for joint custody should result in less litigation of custody cases, which would realize substantial savings to the taxpayers.

As long as sole custody is an easy option, certain parents will choose to fight for sole custody and to exclude the other parent from the child's life as much as possible, resulting in a "parentectomy." A child has a right to both parents, and each parent has a right to raise his child, without the state or federal government stepping in and condoning and supporting single parenthood. Children need the love and role models that each parent provides, and a single parent usually cannot do both, and should not try to do both. Joint custody would reduce the frustrations of single parenthood that foment abuse. Exhausted, entrapped single parents run a greater risk of abusing a child. Interestingly, statistics show that women commit child abuse more often as men.

Joint custody should be decreed at the outset of divorce or separation, so as to curtail the "race to the courthouse steps" to achieve an early, though temporary, decree of sole custody while delaying an eventual custody trial at which the parent with temporary sole custody can plead that there is no "change of circumstances" warranting disruption of the existing custody arrangement. And, if there was a preference for joint custody, few parents would reach the trial level.

7d) Non-Cooperation should not negate joint custody. Joint custody is not for the convenience of the parents, rather, it is for the best interests of the children. Certainly, cooperation between parents is preferred, but is not categorically essential. Logistically, dual households can be difficult to manage. Mediation may be necessary to teach parents how to implement joint custody arrangements.

When "failure to cooperate" or "ongoing animosity" is touted as a reason not to decree joint custody, this can inspire a

recalcitrant parent to purposefully refuse to cooperate or to be excessively hostile in hopes of achieving sole custody.

8) At the very least, every state should be required to enforce custody and visitation orders. The federal government should be advocating a child's frequent and continuing contact with both parents, and emphasizing the responsibility that each parent has for raising that child in terms of emotional, physical, spiritual and financial support.

The United States Census Bureau reported in 1991 that 90.2% of fathers with joint custody paid the support due; 79.1% of fathers with ample visitation paid the support due; however, less than half of the fathers who were denied either joint custody or ample visitation paid the support due. This statistic shows that fathers do care about their relationship with their children. The federal government should endorse the concept that the most important support a parent can give is being there.

According to a 1991 DHSS report, fathers are much better at paying child support than are mothers (in the rare instances when fathers get custody): 61% of non-custodial fathers pay some level of support (not necessarily the total amount owed). The comparable figure for non-custodial mothers is only 20%. Almost 47% of non-custodial mothers default on support compared with the 27% of fathers who default.

For those parents without joint custody, the government should facilitate enforceable visitation with as much effort as is currently applied to the collection of child support. And, the Federal parent locator system that is currently used only to locate delinquent parents should be equally accessible by noncustodial parents so that they may locate their missing children.

9) Juvenile delinquency is a major public policy concern. The prime factor contributing to spiraling juvenile delinquency is the absence of a father -- and not racial prejudice or poverty. Children need role models of both parents -- even if the parents are no longer married. Children need the security of knowing both parents are there -- even if in a different home. Children should not have to turn to gangs as a substitute family.

Approximately 90% of juvenile delinquents were raised in single parent homes, with the single parents usually being mothers. Decreasing the juvenile delinquency rate would result in substantial tax savings by reducing the need for trials, public defenders, prisons, and rehabilitation. The best parent is both parents, even if they don't live in the same home. Joint custody would yield more productive citizens, thereby increasing the tax coffers.

The Federal government must promote a policy of recognizing the importance of fathers, so that more children benefit from the special relationship of TWO parents who care for them and are actively involved in their lives. Lets take a look at some statistics showing the effect the ABSENCE of a father has on the nearly 22% of American children in fatherless households:

- \* 63% of youth suicides are from fatherless homes  
(Source: U.S. D.H.H.S., Bureau of the Census)
- \* 90% of all homeless and runaway children are from fatherless homes  
(Source: U.S. D.H.H.S., Bureau of the Census)
- \* 85% of all children that exhibit behavioral disorders come from fatherless homes  
(Source: Center for Disease Control)
- \* 80% of rapists motivated with displaced anger come from fatherless homes  
(Source: Criminal Justice & Behavior, Vol 14, p. 403-26, 1978.)
- \* 71% of all high school dropouts come from fatherless homes

(Source: National Principals Association Report on the State of High Schools.)

- \* 75% of all adolescent patients in chemical abuse centers come from fatherless homes  
(Source: Rainbows for all God's Children.)
- \* 70% of juveniles in state-operated institutions come from fatherless homes  
(Source: U.S. Dept. of Justice, Special Report, Sept 1988)
- \* 85% of all youths sitting in prisons grew up in a fatherless home  
(Source: Fulton Co. Georgia jail populations, Texas Dept. of Corrections 1992)

These statistics translate to mean that children from a fatherless home are:

- \* 5 times more likely to commit suicide.
- \* 32 times more likely to run away.
- \* 20 times more likely to have behavioral disorders.
- \* 14 times more likely to commit rape
- \* 9 times more likely to drop out of high school.
- \* 10 times more likely to abuse chemical substances.
- \* 9 times more likely to end up in a state-operated institution.
- \* 20 times more like to end up in prison.

10) The Federal criminalization of child support arrearages must stop. If the government continues to turn child support delinquencies into federal criminal cases, then interference with visitation/access should be classified exactly as child support delinquency, for it is also deprivation to the child of a necessity of life - a relationship with the noncustodial parent. And, frankly, putting an obligor parent in prison makes no sense: he won't be able to earn a wage, his child won't receive support, and his child may be supported by taxpayers at the same time that taxpayers will have to foot the bill for keeping him in prison.

#### Conclusion

As long as sole custody is an easy option for a financially incapable parent, unmarried women will continue to bear illegitimate children. And, certain other parents will choose to fight for sole custody and to exclude the other parent from the child's life. This trend, with government countenance, is resulting in moral decay in the United States, a breakdown in family values and a change in the definition of "family" as we know it, increasing levels of juvenile delinquency and violent incidences when a parent is confronted with losing the child, and increasing debt burden on taxpayers to support enforcement bureaucracies, prisons, welfare, and litigation.

Enactment of an economic safeharbor for children would result in less need for an expensive, tax-supported enforcement bureaucracy. Parents would be willing to work to keep custody of their children. More children would grow up with both parents and juvenile delinquency would be reduced. The need for orphanages would not be great.

Sincerely,



Lou Ann Bassan

cc: Stuart Miller, American Fathers' Coalition, Washington, D.C.  
James Cook, Joint Custody Association, Los Angeles, CA  
Dave Whitman, Coalition of Parent Support, Bakersfield, CA  
Anne Mitchell, Fathers' Rights and Equality Exchange, Palo Alto, CA  
Fred Hayward, Men's Rights, Inc., Sacramento, CA  
Terry Lyle, Parents and Children Together, Modesto, CA  
David Levy, Children's Rights Council, Washington, D.C.  
Patricia Gahlen, Children's Rights Council, Sacramento, CA

Chris Rivers, "Sunset Beacon", San Francisco, CA  
Jim Anderson, Focus: Children and the Other Parent, Salt Lake  
City, Utah  
Kenneth Skilling, Fathers for Virginia, Alexandria, VA  
Bob Karls, Dads Against Discrimination, Seattle, WA  
Frank Zepezauer, Men's Defense Association, Sunnyvale, CA  
Roger Gay

January 30, 1995

Committee on Ways and Means  
Subcommittee on Human Resources  
U.S. House of Representatives  
1102 Longworth House Office Building  
Washington D.C. 20515

Dear Chairman and Honorable Members of the Subcommittee on Human Resources:

Thank you for the opportunity to contribute to this extremely important discussion on welfare reform. The pursuit of welfare reform and equity in this society are not easy topics to succinctly address. As one of the oldest social services organizations in the Western United States, we at Family Service Agency of San Francisco (FSA/SF) would like to share our history, experience, program success and concerns about the "villainization" of social welfare recipients, proposed elimination of benefits and the consolidation of federal funds into block grants for states. We will particularly speak to concerns about funding for teen pregnancy intervention and prevention programs -- an area that these days seems to be awash in myth and rhetoric -- and provide some education about who these teens really are and what factors need to be addressed before we talk about punitive measures to decrease teen pregnancy.

Family Service Agency of San Francisco was founded in 1889 to serve orphans. In the Victorian era, the agency provided alms to the poor. In the early 1900s the agency provided post earthquake relief and set up the adoption and foster care service systems for the city of San Francisco.

Advocacy programs aimed at preventing the very problems the agency is simultaneously addressing have been an integral part of what we do since 1909 when FSA/SF advocated for the establishment of well-baby clinics and against child labor. In the 1920s as FSA took on more responsibility for social service programs, we began to contract with federal, state and city governments to provide needed services while we continued to fundraise to support preventive services.

Today, FSA/SF is one of the City's largest nonprofit human service organizations. Through eighteen dynamic programs, we work with the poor, children and youth, the abused, the homeless, the neglected, the mentally ill, the disabled, the aging and the family in crisis.

We believe strongly all service programs must encompass a wide range of tactics including direct service, advocacy, prevention, community organizing, rehabilitation and linkage or cooperative efforts with the network of system providers. We have found this to be the best way to develop self-esteem, foster independence and sustain growth among our clients.

Our programs are diverse, but what is constant across the continuum of services is a belief that families are the building blocks of our society and that healthy families create both functional individuals and a functional society. Conversely, dysfunctional families create dysfunctional communities and dysfunctional societies. Today, we think it's fair to say that our building blocks are crumbling. Nationally and locally families are in trouble. Despite the achievements of modern technologies, American families typically have less time to devote to supervision, education, and nurturing of their children than they did two decades ago.

It is ironic that prevention programs are the ones most often targeted for elimination of funds. There is a story you may have heard about a group of people on a riverbank who see a child struggling in the middle of a river. One in the group dives in and brings the child ashore. A few minutes later, they see another child in the river and another person jumps in to

save that child. Then they see two more and they all jump in to help. Suddenly, one person struggles out of the river and starts running up the bank. An adult in the water shouts "why are you leaving we need your help!" The person shouts back "I'm going upriver to stop whoever it is who is throwing these kids in the river."

Our experience has taught prevention education and early intervention are critical for the success of many programs. Teen pregnancy, violent crime among youths, poverty, homelessness and lack of education feed upon each other to destabilize families and communities. Providing service to clients early on and providing them with prevention education goes a long way toward rebuilding self-esteem and stabilizing their lives.

We have found this to be particularly true in the instance of teen pregnancy. Our Teenage Pregnancy and Parenting Project (TAPP) is a national model for comprehensive case management, child development and parenting skills training for pregnant and parenting teens. Our goals include ensuring healthy births and continued immunizations, building a decent future for both teen moms and dads by encouraging them to stay in school or at work and preventing repeat births. We have had success in these goals through the development and administration of several programs that work together to incorporate prevention and continuing intervention options into the lives of these young parents in an effort to keep families together and to promote healing and wellness. Our T-RAPP, Teenage Resources to Achieve Pregnancy Prevention, is designed to reduce myths regarding teenage pregnancy and teach students the reality of teenage parenting through the use of peer counselors.

TAPP has provided services since 1981. Implemented by the Family Service Agency of San Francisco and coordinated by the San Francisco Unified School District, TAPP is an interagency comprehensive service-delivery system that employs case managers who are called continuous counselors. The Project offers youth a range of programs; however, all programs include a relationship with a continuous counselor that lasts for up to three years or until the client is nineteen years old.

TAPP was designed to remedy service gaps in San Francisco by establishing a community-based network of specialized services reflecting the educational, psychosocial and clinical needs of pregnant and parenting teens, both male and female. The primary feature of the TAPP Project was case management, including repetitive counseling of individual teenagers and coordination of agencies offering services to teenagers.

The TAPP Project is effective. Compared with national and local norms, TAPP clients have fewer repeat pregnancies (2 percent and 10 percent at one to two years postpartum, respectively, compared with the national average of between 40 percent and 67 percent at two years), stay in school for a longer period after delivery (67 percent enrolled one year after birth compared with 20 percent nationally), and fewer low-birth weight infants (10.8 percent compared with 14.1 percent for San Francisco teenagers).

A primary goal of the TAPP project is to improve the health and welfare of babies born to teens. Birthweight is an important indicator of the health status and care of the mother and fetus during pregnancy. Low birth weight (<2500 g at birth) is a serious risk factor for morbidity, mortality and developmental delay of the baby. Infants of teen mothers are more likely to be of low birth weight than those born to mothers in their 20s. Low birth weight babies are more likely to present difficulties in parenting to any age parent, but risks are particularly high for teens, whose parenting performance is generally poorer than that of older mothers. An independent study conducted by professionals from the Institute for Health Policy Studies indicated that the birth weights of babies born to teens in TAPP are significantly higher than those of similar teens in San Francisco. Participation in the TAPP program prior to birth is more strongly associated with better birth weight outcomes than any other patient characteristic used in the model. (Korenbroet, C., Ph.D.; Showstack, J., M.P.H.; et. al.: *Journal of Adolescent Health Care*: 1989.)

The Institute study also stated that:



"... better nutrition may well have contributed to the effects of TAPP birth weights. TAPP provided a nutrition counselor to patients, and the Pregnant Minor School program provided breakfast and lunch to 47 percent of its enrollees. Furthermore, Tapp counselors actively encouraged the participation of eligible teens in the federal Special Supplemental Food Program for Women, Infants, and Children (WIC)."

The study went on to say:

"... our evaluation suggest a positive health impact of the TAPP social service project and its associated School for Pregnant Minors. Although the project itself was not directly associated with any particular clinical provider, health outcomes were better for patients with individual repetitive counseling and a coordination of health, psychosocial, educational, and nutritional services by social workers and allied health professionals. Continuity of care, assured by the assignment of a single case manager to patient, and quality of care, assured by imposing a caseload limit of 35 patients per case manager, probably contributed to the impact of the program. The special efforts of the program to reduce interagency barriers to pregnant teens is also a strength of the program. One major accomplishment was ensuring that pregnant teens received risk points that lowered their chances of being reconciled to a position on the waiting list of the local WIC program. The Tapp program model bears replication to understand the generalizability of its result to other teen populations."

The effectiveness of TAPP was prompted California to pass its own version of the Family Life Act to promote the development of comprehensive teenage pregnancy and parenting services on a statewide basis.

We all need to accept the reality that there is no one quick fix to the problems facing families in the United States today. Additionally, we all need to understand that punishing children and families at risk for their decline into poverty has come to exemplify Darwinian theory at its worst, and serves no useful purpose.

The discussion surrounding important topics such as teen pregnancy and prevention should be focused on the real causes of this predicament such as child abuse, sexual abuse, generations of poverty, the decimation of self-esteem, substance abuse, a lack of life options and information, and physical violence -- not the moral character of the parents. We need to hold an intelligent and informed discussion if we are to begin to address causes and work toward realistic solutions. The facts about teen pregnancy and federal funding are as follows:

- According to 1992 statistics, only eight percent of AFDC children lived in families headed by teen parents, while 80 percent of children lived in families headed by mothers in their twenties and thirties.
- Prevention and intervention programs are working and teen births are dropping. According to the Centers for Disease Control (CDC) in 1992 the teen birth rate dropped significantly.
- While out-of-wedlock teen births have increased, out-of-wedlock births to women in their twenties has increased much faster. Teen births have dropped from half of all out-of-wedlock births in 1970 to just 30 percent of out-of-wedlock births in 1990.
- A vast majority of teen parents are not on welfare. Only 30 percent of teen mothers go on welfare within three years of the birth of their children.
- Few welfare recipients are teen mothers and those that are, are older teens. Only 1.2 percent of all AFDC mothers are minor parents.

- The gender of a parent is a much greater single contributing factor to poverty than the age of the mother.
- Many teen parents have a history of physical or sexual abuse. One important study found that 60 percent of teen mothers had been raped or sexually molested; 64 percent had been physically abused.
- Forcing a teen parent into an institutional setting and splitting up the family is antithetical to family preservation and values. the vast majority of teen parents already reside in the home of families and relatives.
- Female-headed households are not responsible for the rising poverty rates. The percentage of all poor families headed by women had declined since 1990. Yet at the same time, the poverty rate for families has increased from 10.7 percent in 1990 to 11.7 percent in 1992.
- Years of research has shown no linkage between AFDC grant levels and births outside of marriage. Nonmarital births are no more frequent in high benefit states and states with rising grant levels than in states with flat or falling AFDC grants.
- Families receiving Aid to Families with Dependent Children (AFDC) typically have the same number of children as families not receiving welfare benefits. In 1991 more than 70 percent of all AFDC families had two or fewer children. More than 40 percent had only one child.
- The vast majority of all people entering the welfare system (70 percent) leave within two years and 50 percent leave within one year. Only 15 percent of all AFDC clients receive benefits for more than 5 years over the course of their lives, and only 25 percent receive benefits for 10 years or longer.
- Less than 1 percent of the total federal budget funded AFDC in FY 1991. That percentage has remained basically unchanged for the past 10 years. In 1991, the average state spent 2 percent of its revenue on AFDC. Ninety percent of the AFDC budget is spent on benefits, 10 percent on administrative costs.
- The average benefit for an AFDC family in FY 1992 was \$388 monthly, \$4,656 annually. In January 1992, state payments for families of three ranged from \$120 per month in Mississippi to \$924 in Alaska. Even when payments are combined with food stamps, the benefit is below the poverty level in every state (\$11,521 per year for a family of three) and 75 percent below the poverty level in almost four-fifths of the states.
- Mandatory programs such as time limits and workfare do not work well. workfare has produced only modest, if any, increases in employment and earnings, and mandatory programs do not have any greater success than voluntary ones. A recent study of California's GAIN program found that workfare participants earned an average of \$271 more per year than nonparticipants, while receiving \$281 a year less in welfare. A multi-year evaluation of Wisconsin's Learnfare Program, which ties a family's AFDC grant to a child's attendance at school, found that the program failed to improve school attendance or graduation rates. After one year, about 1/3 of Learnfare students had improved their attendance, while more than half showed poorer attendance. Graduation rates were the same for teen participants of Learnshare as those who were not.
- Citing current literature on the importance of post-partum school enrollment related to repeat pregnancy, A study in

the Journal of Adolescent Health Care (Stevens-Simon, M.D., D., Parson, C., Montgomery, C. 1986; 7:191-194) noted the incidence of recidivism and its relationship to school enrollment postpartum was not statistically significant. This study cites two other important studies in the field of teen pregnancy that "suggest that among prenatal program graduates, postpartum school enrollment is not a proxy indicator of future-oriented goals and internal motivation, and hence, alone, is not sufficient to prevent recidivism." Instead, these researchers found that intensified postpartum follow-up services had a stronger impact.  
(Sources: Abromovitz, M. and Newdom F., *City Limits*, April 1994; National Association of Social Workers (NASW) News; Pearce, D. and Knearl E., *Women on Poverty Project*)

Our nation's policies contrast sharply with those in most other industrialized nations. Americans view children as the responsibility of the family, yet place little economic value on making the lives of families at risk easier. According to a 1994 report by The Carnegie Corporation, "the nation pays twice -- now, in reduced productivity and increased social disruption, and in the future in a workforce unequal to the demands of the twenty-first century."

Our experience is that it is more cost-effective to include support for programs that prevent serious problems like child abuse or violence along with offering a choice of continuing intervention options. Prevention and continuing intervention do not work independently of each other and to remove the safety net for one type of program jeopardizes the effectiveness of the other. Our agency has been hard hit by government contract freezes, United Way cutbacks and competition for diminishing donations. Put simply, further reduction in federally funding will be devastating to the clients we serve and consequently to the community at large.

As state governors cry for more state options, we as service providers ask for a parallel process of options for our clients. It is our belief that eliminating entitlements and giving states the option to block grant AFDC would divert local revenue now targeted for families in crisis to fill in other state financial gaps or deficits -- decimating the already strained safety net for families in crisis.

Due to existing cuts, right now we have teen mothers who at the end of the month must choose whether to buy diapers or food for their infants because current funding does not meet their basic daily living needs. Reducing or eliminating funds to this population will not stop teen pregnancies, but it will lead to teens giving birth in doorways or other hazardous conditions and significantly delaying prenatal and postnatal medical attention for themselves and their infants, which will only place a greater economic strain on the system.

It is unrealistic to assume that charitable giving and the private sector will be able to step in and fully compensate for the reduction in federal funding. While it is certainly true that public/private partnerships can reduce overall costs for social welfare programs, private charities do not have the capacity to assume responsibility for all programs for the poor.

According to the United Way of America, from 1982 to 1994 there were almost \$42 billion in cuts to federal programs in which nonprofits were affected. After adjusting for inflation, charitable giving only increased enough to make up for 7 percent of the federal funding cuts. Giving to human service charities would have to increase by 114 percent (from \$12.47 billion to \$26.72 billion per year) by 1996 to make up for proposed reductions in welfare program spending.

At the same time federal funding was decreasing, and charitable funding could not increase enough to make up the difference, there was steady growth in need. Evidence of this growth can be found in changes in the fund distribution reports of local United Ways. The result has been an increase in funding for emergency needs with fewer dollars available for education and family support services such as child abuse prevention, pregnancy intervention and prevention, parenting and child care.

The Department of Health and Human Services issued a state by state analysis of the projected impact of the AFDC block grant option in the Personal Responsibility Act (PRA). HHS found that "in most cases, under the block grant provision, states would have received significantly less funding to support their assistance programs than they actually did receive under the current law."

Among the many disturbing aspects of this plan is the number of children who would automatically lose benefits. Specifically, the indication that children of unwed teen mothers would be permanently ineligible for any additional aid. This provision would be a lifetime limit with no exceptions for children or the disabled. Also disturbing is the proposal to deny aid to children whose paternity has not been established by the state, even when the mother has provided sufficient information regarding the father. It is not hard to imagine that the state's establishment of paternity may take months or year's, leaving the child and parent with no safety net.

When all these provisions are combined, more than 5 million children could find themselves suddenly ineligible for assistance. The consequences could lead to increased foster care, homelessness, family break up, and drastically increased child poverty and neglect. We find this completely unacceptable and disturbing -- and we trust you do as well.

In conclusion, we ask that you acknowledge the success of intervention and prevention programs such as those administered by Family Service Agency of San Francisco; that you conduct an intelligent and well-informed discussion about welfare reform, paying close attention to the facts versus the myths; that you seek to understand and know the populations you are discussing; and that you do not risk the reduction of funds and the increase of poverty and keep entitlements in place at the federal level, assuring a range of options for families in crisis.

Thank you for your consideration.

Sincerely,



Charlene Clemens, M.P.A.  
Project Director  
Teenage Pregnancy and Parenting Project of  
Family Service Agency of San Francisco



Joan Pezanoski, M.A., MFCC  
Senior Case Manager  
Teenage Pregnancy and Parenting Project of  
Family Service Agency of San Francisco



Lark Thomas, M.S.W.  
Senior Case Manager  
Teenage Pregnancy and Parenting Project of  
Family Service Agency of San Francisco

**TESTIMONY OF LEA HIGASHI  
KENT, WASHINGTON**

February 1, 1995

Phillip D. Moseley  
Chief of Staff  
Committee on Ways and Means  
US House of Representatives  
1102 Longworth House Office Building  
Washington, DC 20515

Thank you, for accepting this testimony. My name is Lea Higashi and I would like offer my testimony let me start with an explanation of how I came to be on public assistance. After 18 years of marriage, I was left to raise 3 small children alone. Since I was used to working and had helped my ex-husband thru numerous career changes and 42 moves, I went out and got a job wrapping popsicles. I was pleased to get a job paying more than minimum wage, until I figured out my expenses. Between transportation, daycare & clothing, I would be earning less than the government established poverty level. Not only would I be gone 12 hours a day, I would drop my children from a "one-parent" family to a "no" parent family with them being raised in daycare. This went against my family values as they were so young.

I also needed back surgery from a car accident before I could work full-time in addition to being a single parent. As my ex-husband stopped paying court-ordered support, I applied for public assistance and attempted to find housing I could afford. (If he paid the support, we would not need public assistance!) I couldn't find housing that I could afford on the \$640 grant I was given. So I moved into a shelter and applied for section 8 housing.

It took 1 1/2 years to receive financial housing assistance. During that time I was trying to get back surgery I needed. As I was concerned about my childrens mental health I stayed in one place rather than move thru several temporary shelters. This meant 4 of us living in a studio apt. For 1 1/2 years. Now we have stable affordable housing, my back surgery was a success and I am ready to start and education process towards getting a job.

I need training so that I can get a job that will pay family wages. A job that will pay for childcare, housing and medical. I am not looking to return to upper-middle-class, at the expense of others. I only want to get off public assistance & live above poverty level so that I don't end up returning to assistance in a years time.

During this time of homelessness, break-up of my 18 year marriage, abandonment of the children by their father, major back surgery and complications & recovery, I have acted in a responsible manner. It has been a struggle, but I have provided emotional, spiritual, educational, moral, responsible: strength, security, growth and teaching for my children.

For the past 18 years I participated in my community and supported my ex-husband in occupations dealing with the public's health, education & well being. (Such as Health Inspector, teaching hazardous waste clean-up, working for the city, county, state & federal governments.) For 18 years I was a decent responsible middle class American. I stood tall in the knowledge that my tax dollars helped provide a safety net to families. Families who, thru unforeseen circumstances needed a hand-up. Now that I need a hand up, I am labeled a deadbeat, lazy, unmotivated, un-willing to work, looking for a free ride, irresponsible, this is not true!

What I need is a time-frame that fits the NEEDS of my family. Not a arbitrary 2-year time limit created by someone who has little understanding of the realities I face. Real Welfare Reform is Jobs, affordable quality childcare, universal health care. And as all our children are important whether born in riches or poverty, not including a family cap. Please don't pass this bill. Work for welfare reform based on why parents turn to "Aid to Families with Dependent Children"

Thank you. If you like I can answer questiona you may have.

Before the:  
 Subcommittee on Human Resources  
 Committee on Ways and Means  
 U.S. House of Representatives  
 January 27, 1995

THE PERSONAL RESPONSIBILITY ACT OF 1995  
 AND OUR NATION'S CONTRACT WITH OUR IMMIGRANTS

STATEMENT BY JAY MAZUR, PRESIDENT.  
 INTERNATIONAL LADIES' GARMENT WORKERS' UNION

Thank you for the opportunity to submit this statement on the impact of the Personal Responsibility Act of 1995 (H.R. 4), on behalf of the 175,000 members and the 125,000 retired members of the International Ladies' Garment Workers' Union. Our members live and work in more than two-thirds of our nation's fifty states, and our retired members live in every state but one. The people we represent earn relatively low wages, producing women's and children's apparel and related products. Our retired members who qualify for pensions receive modest monthly stipends from the ILGWU National Retirement Fund.

We support reform of the welfare system in the United States, but believe change must include comprehensive job creation and wage enhancement strategies. In that way, unemployed and under-employed workers in the United States can end their dependence on welfare without simply displacing currently employed low-wage workers, pushing them into unemployment or under-employment. We do not see the necessary safeguards in the Personal Responsibility Act as drafted.

The pending proposals to put food assistance programs and, possibly, Aid for Families with Dependent Children into block grants do not take into account the increased need for family support in times of economic downturn. Private sector workers, especially those receiving the lowest wages, lose their jobs during recessions as firms downsize, and the corresponding reduction in tax revenues causes reductions in public sector employment. Capped block grants will cause the states to cut back enrollment in benefit programs during recessions, leaving few if any resources available to assist these newly-displaced workers -- taxpayers who have supported the system and now need its support.

One of the most serious concern of the International Ladies' Garment Workers' Union, however, is the proposal to deny the benefits of over 60 federal programs to legal permanent residents of the United States and other non-citizens currently eligible for those benefits -- everything from prenatal care for future American citizens and childhood immunization for immigrant children to Supplemental Security Income for the destitute elderly.

The Personal Responsibility Act would deny benefits to virtually all immigrants, regardless of individual circumstances: no matter why they came to the United States, how long they have lived here or how desperate their need. For example:

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Only two categories of immigrants would remain eligible for the listed programs: (1) lawful permanent residents over 75 years of age who have lived in the United States for more than 5 years; and (2) refugees who have lived in the United States for less than 6 years. These represent only a small fraction of the immigrants who are currently eligible for some or all of the benefits barred for all non-citizens in the Personal Responsibility Act.

- A 6-month-old baby who came here legally with his mother would be ineligible for vaccinations against childhood diseases.
- A 7-year-old child, legally present in the United States, would be denied foster care and adoption assistance upon the death of her parents.
- A 23-year-old woman, legally present in the United States, forced to flee her home because of an abusive husband, would be denied job training, child care and other services coordinated by a battered women's shelter.
- A 35-year-old man, granted political asylum here after fleeing torture in his native land resulting from his religious beliefs, would be ineligible to receive canned goods from the food bank run by his local church.
- A 60-year-old woman who immigrated legally when she was 15 years old and who has worked in the United States all her life would be ineligible for Medicaid to treat her serious heart condition.

The International Ladies' Garment Workers' Union counts among our members thousands of legal permanent residents. They, like the rest of our members, work hard and earn little. They, like the rest of our members, contribute a great deal to the United States by, among other things, paying taxes to the federal government and to their state and local governments.

Any illness, loss of a job or stroke of bad luck can send any of our members tumbling. Were they to be made ineligible for federal safety-net programs, such a tumble could well become a free-fall. What before might have been a temporary setback could become a permanent state of affairs. Immigrants, like the rest of us, need to be able to fall back onto federal safety-net programs in bad times, if only to be able to bounce back and resume contributing to support of these programs, through payment of taxes, in good times.

The Center on Budget and Policy Priorities, working with Congressional Budget Office figures, has prepared estimates of the savings available through cutting off legal permanent residents from the 60 public benefit programs listed in the Personal Responsibility Act. The federal government would save a mere 3 percent of the \$900 billion the affected programs would otherwise cost over the next five years. Although the savings to the government would be small, the cost to our immigrant members -- and to this country's relationship with its immigrants -- would be profound indeed. We must not invite immigrants to come to this country, take advantage of their hard work and leave them defenseless when they fall on hard times.

On behalf of the ILGWU, I urge the Congress not to break this country's long-standing "Contract with our Immigrants." Do not cut legal permanent residents out of our Social Contract.

**Statement of the International Union, United Automobile, Aerospace and  
Agricultural Implement workers of America (UAW)**

**Before the**

**Subcommittee on Human Resources  
Committee on Ways and Means  
U.S. House of Representatives  
on  
The Personal Responsibility Act**

**January 30, 1995**

On behalf of over 1.3 million active and retired workers, the International Union, UAW appreciates the opportunity to comment on the proposed Personal Responsibility Act (H.R. 4).

The UAW supports efforts for meaningful change in the welfare system. At the same time, we oppose proposals which negatively impact families in need of assistance.

The Personal Responsibility Act is being promoted as being about welfare reform. But this proposal is not about reform, it is about punishing the poor. It is about denying help to millions of Americans regardless of need or consequence. This proposal is completely void of concern for our nation's poor children, and would result in inflicting further hardships and suffering on our most vulnerable families.

We as caring citizens have a responsibility to help those who are in need. We, as a union, believe in the standard espoused by Hubert Humphrey when he stated that "...the moral test of government is how that government treats those who are in the dawn of life, the children; those who are in the twilight of life, the elderly; and those who are in the shadows of life, the sick, the needy and the handicapped." The Personal Responsibility Act fails this "moral test of government."

**Welfare Reform Debate Must Focus On Ending Poverty**

Welfare reform offers an opportunity to get at the causes of child and family poverty. Unfortunately, much of the current discussion has not been about ending poverty - it has been about ending welfare.

Talk about ending welfare has revolved around a few common themes. One of them is that people on welfare ought to work. Work and responsibility are among our society's most basic values. We support those values. But we agree with Baltimore's Bishop John Ricard, who chairs the Bishops' committee on violence, when he warns *against false choices between individual responsibility and government spending*. "There has to be personal responsibility," Bishop Ricard said. "We also believe the society has a responsibility for those who cannot care for themselves."

There are not enough decent jobs for everyone who wants to work. If there were, there would not currently be over 12 million Americans struggling to find full-time work. If individuals cannot find jobs, or are unable to work or are working at subsistence wages, then we as a society have a responsibility to help. This includes basic financial support plus education and training, health care, child care and job opportunities, all of which allow people to help themselves and to provide for their families.

**Personal Responsibility Act Would Hurt Millions Of Children And Families**

The centerpiece of this proposal is to cut welfare rolls by denying needy children and their families assistance. Children born to unmarried parents under age 18 would



be permanently denied AFDC benefits. This would apply retroactively so that children born to unmarried parents prior to the establishment of this ban also would be denied benefits. States would have the option of extending this ban to children born to unmarried parents under age 21.

Benefits would be denied to children born to families already receiving assistance or for whom paternity is not established. Benefits would be denied to children born to parents who were legal immigrants (legal immigrants would be denied benefits under another 59 federal programs as well). Needy families would lose benefits after 5 years, with the states having the option to cut off benefits after 2 years. In either case, families would lose benefits even if parents cannot find jobs.

According to the Center on Budget and Policy Priorities, if this proposal were implemented today, at least half of the 5 million families receiving assistance would be without benefits. What would happen to the children? Under this plan, money would be spent building orphanages and promoting adoptions. Children who could not be cared for would be placed in these orphanages or put up for adoption. Such a proposal is cruel and heartless.

#### **Required Work Below Minimum Wage With No Training Or Child Care**

The work requirements proposed are exceptionally stringent. For the families who would still be eligible for assistance, all parents would be required to work 35 hours per week, including parents caring for disabled children and infants. Parents would work at jobs that would pay only about half of the federal minimum wage - or \$85 for 35 hours of work.

There would be no increase in funding for job training and education, nor any requirement that states provide training. In fact, states may be forced to divert funds from existing training programs to pay for the 1.5 million work slots mandated under this proposal.

Completely absent is any provision for child care. If parents are to go to work - or to attend classes - someone else must care for their children. Despite mandated work requirements, there would be no funds available to care for children while parents fulfill their work requirement.

#### **Cutting Funds And Removing Entitlement Status Will Deny Needed Assistance**

Still another aspect of this proposal is that overall spending on AFDC, food stamps and a number of other anti-poverty programs would be capped and reduced from current levels. In addition to reducing spending overall, this action would remove the entitlement status from welfare funding and make it discretionary, or subject to the yearly budget process.

Assistance would be given on a first-come, first-served basis instead of helping all who qualify. Families needing help after their state ran out of money would be denied assistance. This proposed change would end the fundamental right to assistance for all who qualify that has been central to our nation's welfare policy since the passage of the Social Security Act.

#### **Removing Federal Standards Will Set Off Race To The Bottom Among States**

States could opt out of the federal system and instead receive a fixed annual block grant. Responsibility for assistance to needy families would be shifted totally to the states and standards set at the federal level would not apply. States would have complete flexibility about how to spend the money, who to serve, and how to administer the program. Increasing states' flexibility could set off a race to the bottom, where

states scale back benefits and impose more restrictions to avoid being viewed as being "too generous" toward needy families.

We understand that there have been discussions between Republican members of Congress and Republican governors on modifications to this proposal. The Republican governors want not only a system of block grants, they want no restrictions on their use of federal money, including whether they could cut spending. If states were allowed to cut welfare spending, the "race to the bottom" would be accelerated as states would try to outdo each other not only in providing the lowest benefit, but in dropping needy families from the rolls. An even worse situation would exist if, in addition, states were to follow the requirements on how money can be used outlined under this proposal.

#### **States Must Not Privatize Public Functions**

Furthermore, with funds fixed, states would be under pressure to, among other things, cut program administration. States may consider turning certain services or systems over to private companies. When functions are transferred to the private sector, accountability and control are reduced. Private companies are accountable only to their owners, not to residents in the state. Services and systems must be kept within the public sector. By doing so, programs will be more responsive to the needs of poor children and their families and accountable to the community as a whole.

#### **Personal Responsibility Act Fails Moral Test Of Government**

As stated at the beginning of our comments, the Personal Responsibility Act fails the moral test of government. It is meanspirited. It will only push poor children and their families deeper into poverty. It completely detracts from the discussion on how to end poverty and to develop meaningful welfare reform. We totally reject this proposal.

#### **Genuine Anti-Poverty Strategy**

Welfare reform must be part of a broader anti-poverty strategy. Key elements of that strategy include:

- Economic security for all children. This means guaranteed child support benefits which are set high enough to assure that no child lives in poverty.
- Policies to foster economic growth and the creation of good, well-paying jobs.
- Expanded investments in job training and education, including basic skills training for those who need it, along with opportunities to develop advanced skills.
- An increased minimum wage.
- Further improvements in the Earned Income Tax Credit.
- A refundable children's tax credit.
- Improved unemployment insurance protection.
- Universal coverage through comprehensive health care reform.
- Quality child care for working parents and for parents in training programs.
- Improved access to federal nutrition programs.
- Improved opportunities for adequate housing.

Real welfare reform -- reform which will bring us closer to ending poverty -- is one of the biggest challenges facing our nation. We must marshal the will to meet that challenge.

The UAW appreciates this opportunity to add comments to the discussion on welfare reform. We look forward to working with Members of the Subcommittee on this and other important issues.

**STATEMENT OF CALVIN HILL, CHRISTOPHER JORDAN AND KING WARD  
JEWISH COUNCIL ON URBAN AFFAIRS**

Based on a belief that current debate on welfare reform is dominated by perceptions rooted in stereotypes, that have led to proposals to reduce or eliminate, rather than reconstruct public assistance programs, the Jewish Council on Urban Affairs has worked with a team of speakers to combat such stereotypical thinking. The "Beyond the Soundbyte" Speakers Bureau is comprised of single men and women from the Chicago area who have been directly effected by cuts in public aid, particularly General Assistance, an income maintenance program that was eliminated two years ago. Many of the speakers are currently either on "Earnfare", a statewide voluntary employment program, or on Transitional Assistance, a state program for those deemed "unemployable".

The following is a statement prepared by members of the speakers team:

Based on our personal experiences with the public aid system we believe that the welfare system must aim to equip recipients with the skills necessary to move into the workforce. In order to ensure this, we urge that any reform of the welfare system should include:

- A. An apprenticeship program that would train individuals on a job so that they can become free of welfare, and can reenter independent living.
- B. Medical benefits for those in a work program, including coverage for substance abuse treatment, both long and short-term, and services for mental or emotional illnesses.
- C. A living wage for individuals participating in work programs. Illinois' "Earnfare" program currently pays a maximum of \$231 per month. We believe that working people should not live below the poverty level.
- D. A recognition of the fundamental shifts in the labor market. Any work program must offer training and education components that correlate to job availability in the competitive labor market.
- E. Job placement services at the end of training.
- F. Consolidated case management services tailored to individual needs. Some people need more support and guidance than others. To give blanket, general services to all individuals is inefficient and ineffective.

We believe that the confluence of the above items is necessary in order to level the playing field for those caught in the cycle of the welfare system, as well as for those who have simply fallen on hard times. As individuals who have experienced the failings of the public assistance system, we applaud your intention to reform welfare. However, as you do so, we urge you to take time to understand the myriad factors that can prevent an individual from getting out of poverty. In this way alone will you ensure that we have a system that can allow those who are on aid today to compete effectively for jobs in the next century. We do not want a hand-out, we want a leg-up.

STATEMENT BY JOEL M. CARP  
SENIOR VICE PRESIDENT  
JEWISH FEDERATION OF METROPOLITAN CHICAGO  
FOR THE SUBCOMMITTEE ON HUMAN RESOURCES  
OF THE  
WAYS AND MEANS COMMITTEE  
U.S. HOUSE OF REPRESENTATIVES  
JANUARY 31, 1995

As the Congress works on welfare reform there are some important facts to consider: No sector of our community is immune from the impact of the long term trends affecting this country's work force, the consequences of the erosion of the buying power of the dollar, or the continuing downsizing by corporate America, despite an upswing in economic conditions.

In Illinois, for example, the real increase in the AFDC caseload is taking place outside of the City of Chicago, in the suburbs and downstate, in places like DuPage County which has one of the highest per capita incomes in the state. The same is true for the Food Stamp program. The monthly grant for a family of three in Illinois, where we have a flat grant system, in Cook County is \$377. This is only 47% of the Standard of Need which the state is required by Federal policy to review and adjust annually. There has been no increase in the monthly grant level for the past several years, despite the annual erosion in the dollar value of the grant because of inflation. The monthly grant is equal to 1/3 of the Federal poverty standard. If you add the value of Food Stamps, then the monthly resources for the AFDC family of three equals 2/3 of the Federal poverty level! AFDC is a children's program: For the last fifteen years in

Illinois [and this is also largely true throughout the U.S.] about 700,000 to 750,000 people have been enrolled in the AFDC program. 450,000 - 500,000 are children under the age of 18 and almost 50% are younger than 6 years old. The typical AFDC family has two children and receives AFDC for 30 months — 2 1/2 years, not for decades. We have also seen statewide increases in the number of homeless families and the number of people requiring emergency food assistance.

The Jewish community in the Chicago area, despite popular mythology, is also not immune from these realities. At the request of the Jewish Federation, Last month the Illinois Department of Public Aid provided us with the results of an analysis of its caseload in geographic areas where our Jewish population is concentrated. We have been doing this analysis periodically since 1981 when we found 152 Jewish cases. In 1984 the number rose to 185, and last month the analysis revealed that there were 456 cases involving Jewish households using various types of welfare services [income maintenance, food stamps, medicaid]. 117 of the Jewish cases were in the suburbs!

The Jewish Federation provides emergency financial assistance to families through several of our agencies: During the fiscal year ending last June our family service agency had 555 cases where the primary issue was financial problems, 239 cases involving unemployed wage earners, and 196 cases involving a need for housing.

One of our agencies, The ARK, which operates a food pantry for poor Jewish community members served 26,375 individuals and 9,812 families from our community last year. 1,480 of the families included children 1 month old to 5 years of age. The numbers of Jewish community members receiving emergency food assistance during the first six months of this year is at the same level as last year, but what is new is that the families coming in for emergency food assistance are younger than ever before.

We operate a storefront Multi-Service Center in Uptown, one of the poorest neighborhoods in Chicago which serves about 2,500 people annually. 97% of the people we serve at this location have income levels that meet federal poverty guidelines. Of the 468 new people who came in for service last year, 20% have no source of income at all and 46% are dependent upon a government income maintenance program for support. Only 23% of the new clients were employed either part-time or full-time in jobs that pay the minimum wage, or are chronically under-employed.

Based upon our most recent Jewish population study conducted in 1990, we know that 6.5% of our community live in poverty. This is the same rate that we found in our 1980 population study.

The Jewish Federation of Metropolitan Chicago has an extensive range of health,

social services, and employment and training programs serving hundreds of thousands of people each year. Despite the existence of this comprehensive network, we cannot provide the ongoing income maintenance and child care services required by poor families, or those who are elderly or disabled. We cannot be the safety net, as much as we might want to be. We raised and are spending \$27 million [not including service fees and other supplemental fund raising done by our agencies] for local social services in Chicago this year. We also spend another \$23 million in government funds under various contracts we and our agencies have. These numbers do not include yet another \$68 million in government funds, including medicaid, which support our Mt. Sinai Hospital Medical Center, 80% of whose revenues come from government funded programs enabling them to serve the West side of Chicago. The point is that if there is any diminution of government support for the \$23 million worth of social service and employment and training programs, the Jewish community of Chicago will not be able to make up the difference. We struggle mightily to maintain our local fund raising campaign and to produce some increased giving each year. If government funded programs are cut, then the vulnerable people we now serve will just not be served.

The prospect of further cuts in the safety net are indeed frightening. Right now in Illinois less than 30% of the eligible AFDC clients are enrolled in the state's JOBS program. Less than 50% of the mothers and children eligible for the Women, Infant and Children's Supplemental Nutrition program ["WIC"] are enrolled, and this is a

program that we know saves \$3 for every \$1 spent! It also prevents premature births, which often cost \$250,000 per child in special intensive infant medical care.

In Illinois the state's welfare caseworkers spend 60-80% of their time in so-called "Quality Control," which really means that because of federal requirements they try to make sure the monthly welfare checks are the right amount or try to recapture modest over payments made due to changing circumstances in the lives of the families in their caseload. Because the state spends so much of its welfare funds this way, only 25-30% of its is available for the JOBS program. A few years ago, when the program was first enacted, we had over 100 people involved in a planning process to create Illinois' JOBS plan. We recommended that 75% of the funds should be invested in services to the clients, including child care, education services, case management, transitional health care, and employment and training programs. If those services are not provided, most families will not be able to leave the welfare rolls because they will not be employable -- even if enough jobs leading to durable, long term self-sufficiency become available.

Finally, but equally important, many of us at the local level have thoughtful proposals concerning how to solve the many problems in the welfare program. The current total disconnection between HHS administered welfare services and Department of Labor employment and training programs must be ended. One stop, integrated services,



with plans tailored to the needs of individuals and families are essential if people are going to be helped to leave the welfare system. A much more flexible mix of public and private resources must be allowed than is presently the case. We have a plan to do this in Chicago where we have the State of Illinois, the City of Chicago, the social service agencies, and the foundation community around the same table -- all in agreement about the need to do this and willing to create the detailed operational plan together. But even with the Governor of Illinois, the Mayor of the City of Chicago, the MacArthur Foundation, the Chicago Community Trust, and the social service agencies in agreement and with their representatives at the table, we have not yet been able to move HHS and the DOL to join us to create the implementation plan. We believe we can reform welfare and reinvent government through our project, *The Chicago Laboratory for Change*. We are prepared locally to mount a five-year demonstration with strong accountability, a mix of public and private resources, and an evaluation plan. We urge the Ways and Means Subcommittee on Human Resources to help us bring the federal government to our local table so that together we can help children and families in need to have a real chance to better their lives.

# # #

Lisa Karl  
802 16th Avenue, #3  
Seattle, WA 98122

## STATEMENT REGARDING PROPOSED WELFARE REFORMS

### WHO I AM:

My name is Lisa Karl, I am a volunteer board member for the Welfare Rights Organizing Coalition (WROC) that is based in Seattle, Washington. I work directly with women on public assistance (AFDC) to help them effect positive change in their lives, the welfare system, and other institutions that impact their lives. I am an American citizen and a registered voter.

### SUMMARY OF MY OPINION ABOUT PROPOSED WELFARE REFORM:

I am very concerned about all of the proposals for welfare reform that are being considered by Congress, including President Clinton's plan. The President's proposal, with its two-year lifetime limit and the misguided approach of moving families off of welfare by helping mothers get *minimum wage* (not *family wage*) jobs will not work. Its lack of long-term insight about why women are turning to welfare in the first place is troubling. The women who are able to juggle full-time work and child rearing are making enough money to pay out \$500-\$600 in child care a month plus health care and still make enough of a profit to pay the bills. One person working a minimum wage job 40 hours a week simply can't support a family's basic needs -- not in Seattle, at least.

Even more disturbing is The Personal Responsibility Act, sponsored by Speaker of the House Newt Gingrich and other Republican legislators. It is clearly anti-women and anti-family. It is a bill that seeks to punish poor people for being poor, especially poor women. If it is passed in any form, it will cause an absolute crisis in our country; we will face homelessness, malnutrition and sheer destitution like we haven't seen since the Great Depression.

### SOME SPECIFIC CRITICISMS:

#### **Personal Responsibility Act:**

There are many things that I am troubled by in the Republican Plan. This includes the proposal to deny young mothers any aid at all, the resolution that children will be better served by growing up in orphanages than with their mothers, the family cap, the proposals to deny legal immigrants benefits and to deny *all* benefits to illegal immigrants. But clearly the bottom line is this:

Under the proposal, people now eligible for welfare, food stamps and free school lunches would no longer have a legally enforceable right to such assistance, known as an "entitlement".

Instead, the federal government would appropriate specific sums each year for food assistance and welfare in the form of block grants to the states. If the money ran out before the end of the year, benefits could be scaled back, people could be removed from the rolls or new applicants could be turned away, depending on each state's decisions. Because the Republican legislators are proposing to slash so much money from those programs (about 2/3rds) those kinds of decisions will *have* to be made because the money will run out very quickly.

#### **President Clinton's Plan:**

- "Workfare" is an astonishingly shortsighted program which would force recipients to take a job, any job, while on welfare, with the money that they earn going towards reimbursing the government for their welfare check instead of helping women on public assistance become financially independent.

Furthermore, if a recipient takes a full-time job that pays minimum wage under Workfare, she will not be able to keep the difference between her welfare check and the money she earns at her job. For instance, if a mother receiving \$441/month is forced to work for 35 hours a week, she will receive the equivalent of \$2.76 an hour, much less than minimum wage. We have passed a law that makes it *illegal* for employers to pay *less than minimum wage* in this country for obvious reasons. It is unfair and inhumane to deny poor women this right. It would not be too much of a stretch to say that the federal government is implementing slave labor through this program.

Finally, Workfare neglects the reason that women are on welfare in the first place: They cannot find a job that pays a family wage. Instead of implementing Workfare, we should help women earn a college education, raise the minimum wage to a livable wage and proceed with job creation plans.

- The President's proposal of a two-year lifetime limit doesn't recognize that the situations that force women onto welfare are complex. Many are fleeing domestic violence relationships (about 60 percent) and need time to recover and to help their children recover from the violence and to adjust to a new situation. This new situation will most likely mean that the mother will have to support her family alone, without any financial or emotional support of the other parent. To assume that you can attach a strict deadline for a family to become financially independent again is simply wrong.

In fact, there is *already* a deadline for eligibility in Washington State. After your fifth year on public assistance, your grant is reduced by 10 percent each year until it is whittled down to nothing.

Some women on welfare who need education in order to support their families will need more than two years to acquire a degree that will allow them to earn family wages. Some recipients will need to acquire their G.E.D. before they can begin to work towards the college degree that is key to earning a livable wage.

- Another misguided element of the President's plan: Teen mothers will be required to live with an adult in order to receive help from AFDC. This is troublesome, because studies show that some teen mothers are incest victims and suffer sexual abuse in their parents' household. Legislation that forces these mothers to stay in abusive situations is criminal.

#### **A CASE SCENARIO: WHAT IT'S REALLY LIKE TO LIVE ON WELFARE:**

Imagine this: You have a high school education and maybe spent one year at a community college. You have been on welfare for one year, and you decide to get a job to supplement your monthly check. You look for a full-time job, but can't find any, so you take a part-time job. You

are excited though, because they pay a lot better than minimum wage -- it pays \$6 an hour. However, you don't get any health care benefits for you or your child because this is a part time job. That's okay for now, because you still receive health insurance through AFDC. You are lucky and apply for daycare for your 3-year old daughter and get it, because it's still early in the year and the JOBS program hasn't run out of money to pay for daycare yet. Money is tight and you don't get to see your daughter much, but you make it for a year.

During that year, you make \$455 a month with your job, and AFDC allows you to keep \$441 of that, the amount of your monthly welfare check. The rest of the money you earn is deducted from your grant money -- about \$14. It's like working for free, but it's only a few hours and your employer doesn't want you if you can't work at least 20 hours a week.

Meanwhile, you are still on the 3-year waiting list for Section 8 (affordable) housing in Seattle, so you have to pay \$375 a month for a one-bedroom apartment, a low-end figure for a one-bedroom unit in Seattle. Your rent doesn't include the heat, water, electric and telephone bills. You make \$882/month, plus food stamps and health insurance, but once the year is over you become ineligible for welfare because of the two-year limit. All of the sudden, you have to find another job. You get lucky again, and find another job earning \$6/hour. You now bring in \$980 a month, before taxes.

However, you pay out \$550 a month in child care, \$375 in rent, and before you even get to paying for your heat, electricity, water, and phone each month you are out of money. You still qualify for food stamps, thank goodness, and you manage a balancing act until your daughter gets sick. Suddenly you have no choice: You have to apply for welfare in order to take your child to the doctor. You are forced to quit your two part-time jobs and go back to the welfare office. Again.

This happens all the time to mothers, in Seattle and all around the country. It's so common there is even a word for it. *Cycling* describes the vicious circle a single mother is trapped into because she needs a college education in order to compete for family-wage jobs.

Ironically, it's very difficult to go to school on welfare, even if you do it with student loans, Pell Grants and scholarships, things that are available to all Americans who want to go to school but need help. It is difficult to go to school on welfare because the focus of our current welfare system is on charity, not empowerment. It's based on short-term goals, not long-term solutions. Without an education it's almost impossible to earn a family wage (upwards of \$9/hour) and you cycle on and off welfare because you can't accumulate any savings to use as a safety net.

We desperately need welfare reform in the United States. But we need proposals that focus on the long-term goal of helping women become financially independent through education so they can get off of welfare and *stay off*. Unfortunately, we aren't discussing these kinds of solutions. But at least the current system has served as a last resort. Up until now, most women and children have not had to live on the streets. If any of the current plans for radical welfare reform are implemented, we are going to see this happen. Already church groups such as Catholic Community Services in Seattle have expressed real fears about how they will cope with a marked increase of needy people when they can't even afford to help those who already come to them for assistance. The war on poor people will escalate, sacrificing women and children first instead of protecting them.

### SOME REAL SOLUTIONS:

The best way to develop effective solutions is to listen to women who have been on welfare so you can understand what their lives are really like. You will quickly learn that women are on welfare come from all races and classes and that *over 60 percent* are fleeing domestic violence situations.

You can also learn a lot by trying to live on a welfare budget for a month. Many people are under the misconception that welfare recipients receive thousands of dollars each month. Because over 75 percent of single parents on welfare have 1 to 2 children in Washington State, their checks are either \$441/month for a family of 2 or \$546/month for a family of 3. This means the family is living at about 50% below the poverty rate. Bear in mind that Washington State offers some of the highest AFDC grants in the country.

If living on a welfare budget is too daunting, try to live on what you would earn if you worked a full-time job for minimum wage, roughly \$680/month before taxes. This will clearly illustrate that no matter how good your budgeting skills are, you won't be able to provide yourself and your child with basic necessities. And yet, many people continue to propose that minimum wage jobs are available and are a way out of poverty.

### How we can help women become financially independent:

- Assist recipients who want to go back to school for a college degree. This single factor alone would be instrumental in moving large numbers of people off of welfare. This involves spending more time with each recipient to find out what she needs help with and then providing that help. It will take more time and will require a greater investment of money for child care, transportation assistance and counseling, but this approach will afford women the help they need so they never have to accept public assistance again. They will become tax-paying citizens and the state and federal government will ultimately get a concrete return on its investment.
- Allow a recipient to earn 100% of her grant payment without having her monthly grant reduced during a transition period of one to two years. This will make it a little easier for women to move off of welfare, provided they have the skills to get a job that pays a family wage.
- Allow a recipient to accumulate savings while on welfare so she may build up her own safety net. In the long term this will save money because families wouldn't automatically have to turn to welfare to help them through a crisis such as a loss of a job, an accident, or a health problem.
- Provide child care assistance and health care for two years after a recipient is off of public assistance to help her make it through crises that would normally send her back to the welfare office and to enable her to continue building her own safety net (see above). This will also help break the cycling pattern where women bounce back onto welfare whenever a crisis occurs.
- Raise the minimum wage so that it is a livable wage.
- Proceed with job creation programs.
- Implement a code of conduct for American companies that build factories outside the U.S., setting standards for health care benefits and wages for foreign workers so that American jobs aren't lost to companies that take advantage of employees through unfair labor laws/practices.

THANK YOU FOR YOUR TIME AND ATTENTION.

Lisa Karl

COMMENTS ON PROPOSED WELFARE REFORM  
by Joyce Kerley

I am a 39 year old married working mother of two elementary school children. Fortunately, I have never needed welfare. But as a concerned citizen and voter, I wanted to express my thoughts on this important issue. I, like most Americans, do support some welfare reform. However, I would like to raise some issues I feel are not being considered in the welfare reform hearings.

1. Children are the main focus of AFDC, never lose sight of that. If a parent has done something you consider immoral, don't make the child suffer needlessly. There is no justification for pursuing this as a financial issue. AFDC is 1.6 billion of the budget, Social Security is 22.5 billion. Why are we willing to support older Americans unconditionally but not children who are our future? Social Security was intended as a safety net just like welfare, not a guaranteed payment. Why didn't the elderly save enough money to live on in retirement and be personally responsible for their care? We are demanding mothers who are trying to raise a child responsibly to keep two jobs (mothering and working outside the home), why should we keep paying for older people who are able bodied yet choose to sit on their duff and collect Social Security, in many cases unnecessarily and in amounts far exceeding what they paid into the system.

2. Pass some sort of basic guaranteed health care for children. It is appalling in a nation as developed as the United States that some children do not even get basic, minimum health care. Many women stay on AFDC rather than work because they can get Medicaid coverage for their children, whereas many jobs do not offer health care benefits. My son recently was hospitalized for ONE night for observation of possible appendicitis. The bill was over \$2,000. Fortunately I have health insurance but what about those who do not. They have to choose between risking near death for a child with illnesses that even the doctors cannot readily diagnose or running up a bill that would take years for someone in poverty to pay.

**3. There is a study that only 29% of teen pregnancies are created by teenage boys. That leaves 71% created by adult men. THIS SHOULD BE A NATIONAL SCANDAL!** Why are adult men impregnating children and getting away with it? It is a sick society indeed that chooses to focus all blame on naive girls who typically believe many false statements about birth control (or lack thereof) because we have this religious notion that education about birth control is condoning sex (FALSE!) We learn about war in history, that doesn't mean we all go out and participate in war. If you are really serious about reducing teen pregnancy, then teach not only how children are created in health class, but also how to PREVENT childbirth. Yes, abstinence is best but look at the statistics, it IS NOT WORKING. Make every high school in the U.S. force boys and girls to participate in a minimum one week class where they have to carry a doll with them every where they go to simulate child rearing, with scheduled feeding and diapering times. As part of the class, include budgeting so they know how much it costs to feed and clothe and house and provide medical care for a child. Take the romance out of cute little babies so children quit having children.

4. Where are the pro-lifers in the welfare reform debate? They encourage bringing the child into the world, and then abandon those in need. One Congressman has proposed a \$5,000 tax credit for adopting children, yet women who choose to follow their biological bond and keep their own children who may need some assistance in their life for all sorts of reasons are portrayed as lazy shiftless cheats. Why is a child receiving AFDC less valuable than a child being adopted?

5. End the negative stereotyping. Not every woman on AFDC is a pregnant teenager living in public housing. Statistics show the over half the AFDC recipients are rural white women. If welfare is growing out of control, it is because society has allowed the fathers of the children to ignore their responsibilities.

I live in Orange County where hundreds of county workers have been laid off due to the county mismanaging it's investments. These people have lost their job through no fault of their own. Many single parents will likely need welfare. As if they haven't suffered enough losing their jobs, imagine what shame they must feel because politicians make all welfare recipients look like shameful lazy people. Yes, there are cheats in every system. There are also many success stories but those never seem to make headlines.

6. Child care is very expensive. I have two children in daycare after school for one hour and a half a day and I pay close to one hundred dollars a week. Full time care is even more expensive. If you really want to move people off welfare into jobs, raise the minimum wage to \$5.00. People on AFDC need child care by definition, give some incentive that work is more valuable than collecting welfare.

7. Stop treating welfare mothers as if they are a disease. MEN were equally responsible in every case for creating the child, at least the mothers (in most cases) are attempting to raise the children with little support. Make the unwed FATHER's parents provide food, clothing and housing for the unwed mother.

8. Do not allow states unrestricted funding for welfare. We as a nation have an interest in raising in healthy, well adjusted, well fed children. There must be at least minimum standards attached to the funding.

9. Quit offering tax incentives to have an unrestricted number of children. The U.S. population has quadrupled since World War 2. Is there really a job out there for every person who wants to work? There is no reason for taxpayers to subsidize large families. Change the tax laws to reward small productive families who do not drain societies dwindling resources. If couples, for primarily religious reasons want nine children, fine, let them pay for them. Do not provide tax deductions for greater than say five children maximum.

10. Change the rules that drive the father out of the house. Allow AFDC even if the family is making some income on a specified timetable. If not cash benefits, then food stamps, health care, subsidized child care, etc.

11. There are acres of empty military bases. Perhaps some could be turned into communities for single mothers and children where the base could be used for some job training while the children attend school or daycare at the site and live in base housing. The controlled atmosphere of a military base would prevent the crime infested images of high rise public housing. If citizens do not want to provide cash payments, allow voluntary movement to a place where the mothers and children would be housed and fed and trained and schooled to prepare for a productive future. Don't steal away the children to orphanages.

12. Deny benefits to children who are CONCEIVED while the mother is on welfare

13. Enlist the FBI, CIA and every national resource to track down deadbeat dads.

14. Again, raise minimum wage. As society transforms from an industrial society to an information society, many people do not have the skills necessary to be self sufficient.

In conclusion, as a working mother, I know how difficult it is to raise children and work outside the home. Before work, I must make breakfasts, pack school lunches, lay out school clothes, get ready for work, be sure the kids get to school. Then I go to work and make very difficult decisions all day. When I come home, my husband typically makes dinner after picking up the children. After dinner, there are dishes to wash, homework to help with, baths to prepare, clothes to wash. Week-ends are devoted to house cleaning, grocery shopping, Cub Scout meetings, etc. etc. I feel very fortunate to have a partner to share some responsibilities with, although there is no doubt that women still do most of the domestic and child rearing chores. Instead of crucifying these women who are raising children alone on next to no money, we should be offering them community based support to help them succeed in raising children who feel good about themselves. The teens who get pregnant are children who have very low self esteem and often confuse sex with love. Let's make ALL children feel good about themselves. Stop trying to punish and instead trully devise incentives to postpone childbirth by creating hope for a prosperous future. College educated women have the lowest birth rates in the country. While we are trying to reduce government, let's also strive for smaller, stronger families.

Thank you for the opportunity to express my opinions on a very important issue.

Joyce Kerley  
10162 Christopher Street  
Cypress, CA 90630



## TESTIMONY OF THE LEAGUE OF WOMEN VOTERS OF CHICAGO

Phillip D. Moseley  
 Chief of Staff  
 Committee on Ways & Means  
 US House of Representatives  
 1102 Longworth Building  
 Washington DC 20515

January 30, 1995

The Chicago League of Women Voters will focus on a particular concern based on historic League positions on employment and income. The League joins coalition colleagues (noted below) on a broad range of specific issues.

The Chicago League believes that the current welfare reform debate is isolated from the real world, leaving fundamental questions unasked and critical elements unexamined.

The Subcommittee topical hearings do not include the economic context, essential frame for both defining the needs and for charting the course to employment and stable income.

The loss of family-supporting jobs is clearly a point of origin. Between 1972 and 1990 the west side of Chicago lost 36,000 manufacturing jobs and 23,000 related jobs - 43% of its employment base. Lawndale in southwest Chicago lost 75% of its business, leaving 40% of its residents on welfare.

Ignoring the massive job shift severely limits Congressional decisions on the plight of stranded people and realistic escape routes, especially if the hearings are confined to AFDC, leaving out single adults.

Inevitably, crime fills the vacuum, compounding the collapse of families and communities. The nation's incarceration rate is the highest in the world except for Russia. Illinois has built 16 prisons in 16 years - a costly explosion which correlates closely with the decline in jobs for less-skilled men. The disproportionate impact on minorities breeds despair and bitterness. Employment for black men dropped from 73% in the 1970's to 51% in the 1980's. Illinois is populating its prisons and welfare system with the children and grandchildren of people who migrated north for jobs - which fled or were "downsized."

The current decline in overall unemployment is fragile. Mark Miller, economist with the Chicago Sun-Times, notes that the "militantly anti-inflation Federal Reserve Board" could slam on the brakes and "easily push joblessness back to 7%."

Well documented on every police blotter is the monstrous impact of drugs on poor neighborhoods. Lock-em-up prevails over rescue. The City of Chicago official survey found that on any given day 95% of those seeking help out of addiction are turned away.

Second major factor not on the Human Resources Subcommittee agenda - and vitally related to welfare reform - is wage erosion.

In 1979 12.1% of full time workers earned less than the poverty level; in 1993 16.2% of full time workers had earnings this low. Income disparity is the widest in history. 48.2% of national income goes to the top fifth of households, 3.6% to the bottom fifth, a trend obviously inimical to people struggling off welfare and out of poverty.

For decisions affecting the nation's poorest, a responsible line of questioning would ask: what is the capacity of the labor market as correlated with the number and skills of the welfare population (including single adults) - by national aggregate and in break-outs by locality.

The Work Alternative, published by the Urban Institute, offers significant data. Subtitled "Welfare Reform and the Realities of the Job Market," it cautions against forcing the least able of the nation's working age group into that niche of the labor market that has performed most poorly."

Our concern is that systematic Congressional inquiry into real jobs and a decent living is lacking. Congress and the Governors have avoided a serious look at the consequences of time-limited welfare. A similar evasion preceded the deinstitutionalization of the mentally ill, now thought to be one third of the homeless.

We agree that present systems (JOBS, JTPA) are weak: 9% of participants in the Illinois JOBS program were placed in employment, most of it minimum wage; 3-5% of the eligible population is served by JTPA. A major problem is job retention - a bleak proposition at minimum wage with no benefits. Child care is way out of sync with projected need - cost, supply, quality.

"Welfare reform" will be a cul-de-sac (or a revolving door) without a defined bridge to jobs. Suggested incentives like Targeted Jobs Tax Credits for enlisting business and industry have an uncertain track record. We understand the need for access to the private sector, but we question how long taxpayers should subsidize employers who fail to pay a living wage.

The League has long urged public job creation tied to critical needs like housing, schools, transportation. We are actively involved in the shaping of Section 3 of the Housing and Urban Development Act - job set asides in HUD-funded projects. We are pushing for a pervasive Section 3 in state and local law, too - a source of jobs for people by-passed by the private economy and about to be dropped out of the safety net with very uncertain landing.

Intentional links to the economy and solid ground are a sine qua non for addressing persistent poverty. They are perfunctory or missing from the Personal Responsibility Act. The prospect is further isolation of the poor.

In addition to the above testimony the League of Women Voters of Chicago endorses the comments of the Public Welfare Coalition, the Work, Welfare & Families Coalition, the Chicago Jobs Council, the Legal Assistance Foundation of Chicago, the Day Care Action Council, Women Employed, the Task Force on Adolescent Health, the SSI Coalition.

We especially underscore support for continuing SSI intact and opposition to cuts in SSI for legal immigrants.

**STATEMENT OF SUE AUGUSTUS AND NANCY KATZ OF THE LEGAL ASSISTANCE FOUNDATION OF CHICAGO TO THE HUMAN SERVICES SUBCOMMITTEE OF THE COMMITTEE ON WAYS AND MEANS, U. S. HOUSE OF REPRESENTATIVES, IN OPPOSITION TO CHANGING PROVISIONS AFFECTING PAYMENT OF SOCIAL SECURITY AND SSI TO INDIVIDUALS DISABLED BY DRUG ABUSE AND ALCOHOLISM**

On behalf of Supplemental Security Income ("SSI") applicants and recipients living in Chicago who are eligible for legal representation from the Legal Assistance Foundation of Chicago ("LAFAC"), we write to oppose any changes in eligibility for Social Security and SSI benefits for individuals whose disabilities result from drug abuse and alcoholism.

LAFAC provides legal representation for persons on state funded public assistance who have applied for Social Security and SSI disability benefits. In addition, LAFAC provides legal representation to the poor in Chicago on civil legal matters, and represents thousands of persons on SSI issues each year. This representation, provided free to eligible clients, often addresses SSI eligibility for persons suffering from drug abuse and alcoholism.

We are attorneys at the SSI Advocacy Project of LAFAC. In our work at the SSI Advocacy Project, we work every year with hundreds of individuals who have substance abuse problems at the SSI Advocacy Project. We are on the frontline of the battlefield and we see daily how substance addiction disorders have destroyed the lives of individuals and their families and ravaged our communities. We have also seen how SSI benefits can stabilize an individual and allow him or her to actually participate in and benefit from treatment.

We believe that this Committee should not consider further changes concerning receipt of Social Security and SSI disability benefits for persons with substance abuse problems. Congress, in the last session, made significant changes affecting payment of Social Security and SSI benefits to persons for whom drug abuse and alcoholism is a contributing factor material to the finding of disability. Social Security Independence and Program Improvements Act of 1994 (P.L. 103-296). Those changes:

- a) require all Social Security and SSI Disability recipients must receive payment through a representative payee;
- b) provide a preference for organizations as representative payees;
- c) require that recipients must undergo treatment, when available at approved facilities, comply with the terms of that treatment, and comply with monitoring and testing;
- d) provide for suspension of benefits for failure to undergo appropriate substance abuse treatment under a formula that provides escalating penalties of two months, three months, and six months for failure to comply with substance abuse treatment;
- e) limit receipt of benefits to 36 months unless the recipient becomes disabled for a reason other than substance abuse;
- f) prorate payment of retroactive lump-sum benefits and require that such payments be made to a representative payee; and
- g) provide that services performed or earnings received from illegal activities must be considered in determining whether the individual is engaging in substantial gainful activity.

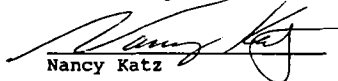
These changes, made with bipartisan support in the last session, will take effect on February 13, 1995. This Congress should wait to see if these changes cure the problems that led the last Congress to pass them. We, as advocates, believe that these provisions are tough, and will ensure that benefits are not paid to further individuals' substance abuse problems.

Thus, based on our experience and the experience of our clients, we support the present provisions regarding the payment of SSI benefits to disabled addicted individuals. Substance addiction disorders are illnesses that prevent many individuals from being able to work, and those individuals whose impairments rise to this level meet the statutory definition of disability contained in the Social Security Act. We feel that the present provisions, which take effect in less than two weeks are adequate to ensure that disability payments will support only those persons who are attempting to conquer their substance abuse problems.

Should you have any questions or need additional information, please contact us. Thank you for the opportunity to provide you with this written testimony.

Respectfully submitted,

  
Sue Augustus

  
Nancy Katz

SUBCOMMITTEE ON HUMAN RESOURCES  
COMMITTEE ON WAYS AND MEANS  
UNITED STATES HOUSE OF REPRESENTATIVES

JANUARY-FEBRUARY 1995 WELFARE REFORM HEARINGS

TESTIMONY OF JOHN M. BOUMAN  
IN OPPOSITION TO §101 OF H.R.4: DENYING OR REDUCING ASSISTANCE  
TO CHILDREN WHOSE PATERNITY HAS NOT BEEN ESTABLISHED

My name is John M. Bouman. I am a supervisory attorney with the Legal Assistance Foundation of Chicago (LAFC), an agency that provides free legal assistance in civil matters to the poor in Chicago. I have worked for LAFC since 1975 in various city neighborhoods, and in that time I have represented thousands of applicants for and recipients of AFDC assistance. Since 1985, I have been the head of LAFC's unit that specializes in welfare law.

These comments are submitted on behalf of clients who are applicants for and recipients of AFDC benefits, who, as an eligibility requirement for AFDC under current law, are charged with the duty of cooperating in establishing paternity and obtaining child support from the fathers of their children. These clients include the plaintiff class in the case of Doston v. Duffy, 732 F.Supp. 857 (N.D.Ill. 1988). The class in the Doston case consists of persons applying for or receiving AFDC assistance during the mid-1980's who were denied or cut off of AFDC by the Illinois Department of Public Aid ("IDPA") for their alleged failure to cooperate in the paternity establishment and child support enforcement process.

Section 101 of H.R. 4 deals with the paternity establishment portion of this process, as follows: (i) it denies any aid to a family with respect to a child whose paternity has not been established, unless the child was conceived as the result of rape or incest, or establishing paternity would result in physical danger for the child or the child's caretaker relative (usually the mother); and (ii) it denies aid to the child's entire family if the mother does not provide the name of the putative father (or possible fathers) and sufficient additional information (address of alleged father or address of immediate relatives of the alleged father) to enable the State agency to launch a paternity case.

Current law differs from Section 101, as relevant here, by providing that cooperating with paternity establishment consists of:

- (1) Appearing at an office of the State or local agency or the child support agency as necessary to provide verbal or written information [about the name and location of the putative father], or documentary evidence, known to, possessed by, or reasonably obtainable by the applicant or recipient;

...

- (3) Providing information, or attesting to the lack of information, under penalty of perjury; ...

45 C.F.R. §232.12(b)(1) and (3).

There are two principal differences between current law and the proposed Section 101. First, current law allows the family to receive benefits after it has cooperated in identifying the father to the best of its ability. Section 101 places the entire burden for state delay or misfeasance in establishing paternity on the family by denying benefits until after paternity is actually established in a court order. Second, current law admits the possibility that, in good faith, applicants for AFDC may not possess either the correct name or address or relatives' addresses of the putative father. While current law imposes a duty on the applicant to reveal all information that she has, it allows her to attest under penalty of perjury to the lack of any further

information. Section 101 demands that all applicants have sufficient information to correctly identify the father and establish his whereabouts so that he can be served with a summons. Section 101 bars from AFDC all families that do not have this level of information about the putative father.

In the mid-1980's in Illinois the paternity establishment and child support enforcement "cooperation" requirement was administered in a way that gives some idea of what would happen under Section 101. IDPA's policy was to allow caseworkers to decide, on a case by case basis, whether the AFDC applicant or recipient had "cooperated" in telling all the information she knew about the father. It turned out that a number of women did not know the actual correct first and last names of the father, due to the use by many of the fathers of pseudonyms and nicknames. It also turned out that a great many women could not give much information to locate the father. Caseworkers would decide, based on a subjective judgment, that these women were lying or withholding information; the women were found to be "not cooperating" and thus ineligible for AFDC. Since most of these women in fact did not have any more information, they could never "cooperate". There were many open-ended ongoing denials of aid. We had clients who were reduced to hanging around on corners in dangerous neighborhoods where they thought they might run into the father.

As a result of Illinois' policies, there were at least 56,000 women denied, terminated or suspended from AFDC benefits in just a few years' time. Chicago's homeless shelters filled up with women and children who had no means of support because they were sanctioned for non-cooperation. According to one study, 35% of the women and children in the shelters one winter night were there because they had been cut off of AFDC under these policies and could not pay their rent.

In the Doston v. Duffy case the court enjoined these policies because they violated the same federal law (quoted above) that Section 101 would change. Under Section 101, however, the damage would be far worse than it was in Illinois prior to the Doston case. The Doston problem was caused by caseworkers having discretion simply to disbelieve the mothers' representations regarding her level of knowledge about the father. But, even under those policies, caseworkers often did believe that the mothers had cooperated to the best of their ability, even though the information they gave was insufficient to locate the fathers.

Under proposed Section 101, however, the child will be denied assistance under all circumstances until paternity is established. This would be 250,000 children, if Section 101 were applied to the current AFDC caseload in Illinois (54% of the children on AFDC in Illinois do not have their paternity established). And the whole family -- including siblings whose paternity is established -- will be denied unless the mother can provide the mandated quantum of information about the father of a child whose paternity has not been established.

The record in Doston and other known facts prove that the inability to establish paternity is often beyond the control of the mother, either because she simply does not, in good faith, possess the necessary information, or because the state, through misfeasance or simple delay, has not translated good information into a paternity adjudication.

Illinois currently is 50th among the states in the rate of determining paternity for its children receiving AFDC. The agency has significant inefficiencies and understaffing. This results in the failure to locate fathers, failure to respond quickly to new information about fathers, and failure to interact smoothly with the court system. There are also problems with the state's attorneys efficiently handling paternity cases, and with the court

system disposing of those cases expeditiously. It is not fair to make a needy family wait for all of these bureaucracies to do the right thing prior to allowing that family to receive subsistence support from the AFDC program.

It is also not correct to assume that every woman will always have even the theoretical capacity to comply with Section 101:

-- Men often do not tell their sex partners their true identities, residences or employment. Women often do not find this out until it is too late. These women and their families would be denied assistance under Section 101, even after consciously trying to comply with it. Similarly, many women, even in longstanding marriages, are never allowed to know key identifying information about their mate, such as social security numbers or the names and locations of his relatives.

-- Men change their addresses and employment without reporting to the mother of their children. Women do not even theoretically have control over this situation.

-- A very interesting phenomenon that was proven in the Doston litigation is the fact that a high percentage of very poor men are highly transient -- they do not live anywhere in particular, but "stay" alternately with friends, relatives and in other places. One cited example was the situation of 10 men found living in a car wash. When women state that they do not know where one of these men lives, that is often because he does not live anywhere in particular -- there is no correct answer to the question. Section 101 would deny assistance to these women and their families.

-- A great many children are conceived and/or born before the mother has any idea she will need AFDC. In the intervening period of time -- often years -- she loses her income for unrelated reasons (layoff, illness, etc.). Why would the mother necessarily collect and maintain information about the father prior to knowing she will need welfare, if she is not otherwise in touch with him?

-- Contraception failure is involved in many births, especially among populations using the less effective, less costly methods. By the time the mother is aware she is pregnant, she may have lost touch with the father. She never intended to be pregnant, so Section 101 would not even theoretically be a factor in her information-gathering tactics with the father.

In short, if the purpose of Section 101 is to force women not to conceive children without knowing the father's true identity and whereabouts, it cannot accomplish that purpose. If, on the other hand, Section 101 is built on the assumption that all women in fact have this information and are choosing not to divulge it, it is mistaken. The fact is and will always be that substantial numbers of women cannot locate the fathers of their children, and this often is completely beyond the control of the women. Section 101 exacts a heavy price from these women and children, while doing nothing at all to help them.


Presumably, a principal motivation behind Section 101 is to increase the rate of child support collection for children who must rely otherwise on AFDC. One thing that the Doston litigation revealed very clearly was that a paternity and child support system set up to harshly reduce AFDC assistance to the children does not increase support payments for them. Illinois was at the time of Doston and is now an extremely inefficient state when it comes to collecting from the fathers. At the time of Doston, the system treated the mothers and children harshly, but the resources used in that effort would have been better spent on pursuing the fathers. At that time Illinois had a backlog in its parent locate office of

50,000 - 60,000 cases, but only 8 staff statewide. Illinois had a year-long backlog for paternity adjudications in court. Illinois had, and has, severe staffing shortages in the child support collection office, and severe deficiencies in its computer systems for distribution and accounting of payments. All these problems still exist, although Illinois has improved its child support collections every year after the Doston case without the aggressive sanctioning policy. The Section 101 proposal is a needless waste of resources that will cause great and largely undeserved hardship with little impact on the actual collection of support.

Section 101 will result in substantial increases in costs for many other sectors of federal spending. These include increases in child welfare costs, shelter and other homelessness costs, and medical costs occasioned by the rigors of life without adequate income. There will also be substantial unfunded increases in needs that state and local governments will have to care for, including their portion of all the above-cited federal increases. We definitely saw this in the Doston-era usage of shelters, food pantries and the foster care system.

Finally, it is appropriate to consider the cost of this proposal for children, the innocent bystanders. It is easy to see the harm when the entire family is denied assistance (in the cases of the mother not identifying the putative father and his address or that of his relatives). But the stakes are also high when just the child is denied assistance (in every case in which paternity is not established). In Chicago, a woman and two children are eligible for an AFDC payment of \$377 per month, an amount woefully inadequate to live on decently (it is 37% of the poverty level; about \$100 under the HUD fair market rent for a one bedroom apartment in Chicago). When one child is denied assistance, the mother and the other child only receive \$278 per month. If both children are denied assistance, the mother only receives \$212 per month. But they are still the same three people -- same rent, same utilities, same groceries, same school clothes and supplies. The children face a dramatically increased likelihood (which was already very high) of being evicted or cold or hungry or pulled out of school. For families whose entire payment is denied because the mother does not have sufficient information about the father and his relatives, the possibility of these deprivations for the children becomes a probability. There is no cure for these unjust deprivations -- they will go on forever because most mothers never will have the required information. Under current law, on the other hand, whatever "deprivation" occurs if a woman does not tell the whole truth about the identity of the father does not injure the children. It injures the state, by impairing its ability to collect child support to offset or supplant the AFDC payments. But the state does have a remedy under the perjury and fraud statutes. So the policy choice is a clear one: should we visit irremediable deprivations under proposed Section 101 on many thousands of women and children who do not deserve such treatment, or should we retain current law and deal appropriately with the relatively rare and remediable cases of perjury. This should not be a hard choice. Section 101 of H.R. 4 should not be adopted.

Thank you for your consideration of these facts and arguments, and for this opportunity to present testimony to the Committee.

  
 John M. Bouman  
 Legal Assistance Foundation of Chicago  
 343 S. Dearborn Street, Suite 700  
 Chicago, IL 60604  
 (312) 347-8317  
 FAX (312) 341-1041

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## LEGAL ASSISTANCE FOUNDATION OF CHICAGO

• 1661 S. Blue Island Avenue • Chicago, IL 60608 •  
• 312-633-9890 • FAX 312-421-4643 • TDD 312-421-6574 •

### STATEMENT OF THOMAS YATES OF THE LEGAL ASSISTANCE FOUNDATION OF CHICAGO TO THE HUMAN SERVICES SUBCOMMITTEE OF THE COMMITTEE ON WAYS AND MEANS, UNITED STATES HOUSE OF REPRESENTATIVES, IN OPPOSITION TO CHANGING THE CHILDREN'S SSI PROGRAM

On behalf of Supplemental Security Income ("SSI") applicants and recipients living in Chicago who are eligible for legal representation from the Legal Assistance Foundation of Chicago ("LAFC"), I write to oppose any changes in eligibility for, or payment of, SSI disability cash benefits for children.

LAFC provides legal representation to the poor in Chicago on most civil legal matters, and represents thousands of persons on SSI issues each year. This representation, provided free to eligible clients, often addresses SSI eligibility for children. In addition, LAFC files SSI applications for children from Cook County, Illinois in foster care. In this capacity, LAFC staff have filed and pursued over one thousand children's SSI applications.

Critics have levelled several charges against the children's SSI disability program. Chief among these are the following:

- a) the rapid growth in the number of children receiving SSI benefits since 1990 is conclusive proof that the program is out of control;
- b) children with minor behavioral and other problems too easily meet the child SSI disability standard;
- c) many parents either "coach" their children to do poorly on mental examinations, or deny their children necessary medical treatment so that the children will be found disabled and qualify for SSI; and
- d) disabled children and their families should not receive cash benefits; they would be better served by a voucher system that provides coverage for specified services and/or items.

Based on these charges, this Committee is considering changes that would redefine the children's SSI disability standard to decrease the number of children who are found disabled, and to eliminate monthly SSI cash payments and replace them with a voucher program that would provide coverage for certain services and items.

As is discussed in greater detail below, I believe that it would be foolhardy to either change the current children's disability standard, or replace monthly cash payments with some sort of voucher program.

#### **1. The Rapid Growth In Numbers Of Children Eligible For And Receiving SSI Benefits Does Not Show That The Program Is Out Of Control.**

There can be no doubt that the number of children receiving SSI has increased dramatically. In 1990, 340,230, or 7.1% of the entire SSI caseload (aged, blind, and disabled), received children's benefits. In June 1994, 847,406 children, or 13.7% of the entire SSI caseload (aged, blind, and disabled), received SSI benefits. Critics have looked at this rapid increase and charged that the program is out of control. However, review of the data fails to support this charge.

There is no clear data on the causes of the increase in numbers of children receiving SSI benefits since 1990. The General Accounting Office identified four factors that caused the increase:

- a) rising numbers of children in poverty;<sup>1</sup>
- b) SSA outreach efforts arising out of Zebley settlement;
- c) SSA's issuance, in December 1990, of regulations revising and expanding its medical standards for assessing mental impairments in children by incorporating functional criteria into the standards and expanding the number of listed mental impairments; and
- d) SSA's addition of functional equivalence test at the third step of the sequential evaluation, and addition of a fourth step of the sequential evaluation, the individualized functional assessment test ("IFA"),<sup>2</sup> as a result of Sullivan v. Zebley, 493 U.S. 521, 539 (1990) ("Zebley").

GAO, Social Security -- Rapid Rise in Children on SSI Disability Rolls Follows New Regulations (September 1994) ("GAO study")

**a. Zebley's Effect**

Most critics have charged that the increase in numbers of children eligible for SSI was caused in large part by Zebley. It held that SSA must consider the "impact of an impairment on the normal daily activities of a child of the claimant's age--speaking, walking, washing, dressing, and feeding oneself, going to school, playing, etc." 493 U.S. at 539. This caused SSA to add the IFA

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<sup>1</sup> In addition, more children qualified for SSI after 1992 when SSA changed the way that it budgeted income for parents of disabled children. The change liberalized deductions from earned income of working parents of disabled children. See 57 Fed.Reg. 18559 (Oct. 27, 1992). These budgeting changes increase the number of disabled children who meet the financial eligibility rules for SSI, and thus receive SSI disability benefits.

<sup>2</sup> In making children's disability determinations, SSA uses a four step sequential evaluation, as follows:

- a) Is the child engaging in substantial gainful activity (work)? If yes, the claim is denied. If not, proceed to step two.
- b) Does the child have a severe impairment or combination of impairments? If not, the claim is denied. If yes, proceed to step three.
- c) Does the child's impairment, or combination of impairments, meet or equal one of the listings of medical criteria? If yes, the child is disabled. If no, proceed to step four.
- d) Does the child have an impairment of comparable severity to an impairment that would disable an adult. If yes, the child is disabled. If no, the claim is denied.

20 C.F.R. § 416.924(b)-(f).

To determine whether a child has an impairment of comparable severity to one that would disable an adult at step d) above, SSA does an IFA that assesses a child's functioning in several areas or domains: cognition, communication, motor abilities, social abilities, responsiveness to stimuli (for children from birth to age one), personal/behavioral patterns (for children from age one to age 18), and concentration, persistence, and pace in task completion (for children from age three to age 18). Decisionmakers must review all evidence to determine if a child is impaired in any of these areas. If a child is markedly impaired in one and moderately impaired in another domain, or if a child is moderately impaired in three domain, SSA may, but is not required to, find the child disabled. 20 C.F.R. §§ 416.924d & 416.924e.

step in the children's disability standard. See fn. 2, *supra.*, for discussion of the IFA step.

Critics have overstated the effect of the addition of the IFA test. Data shows that, even after the IFA step was added, 70% of children found disabled by SSA were found disabled without the use of the individualized assessment step. See GAO Study; and DHHS Office of Inspector General, Concerns About The Participation Of Children With Disabilities In The Supplemental Security Income Program (October 1994) ("HHS Inspector General study").<sup>3</sup> Thus, most of the increase in the children's SSI population did not result from addition of the IFA step.

Zebley did lead to increases in the number of children eligible for SSI in two other ways. First, the Zebley settlement led to a large increase in numbers of children, who had applied for and been denied SSI from 1980 to 1991, who were found eligible for SSI based on Zebley redeterminations.

Implementation of the [Zebley] settlement required an intensive effort to locate children who were denied benefits from January 1, 1980 to February 11, 1991. Notices were released to approximately 452,000 individuals. Of this number, close to 316,000 have responded accounting for nearly 70 percent of potential class members. According to SSA, when the additional recipients who filed new claims or were processed as a result of Zebley case or related childhood disability regulations were added to the rolls, the number of blind/disabled childhood recipients increased by 86,000 in fiscal year 1991 and 169,000 in fiscal year 1992.

U.S. Congress. House of Representatives. Committee on Ways and Means. Overview of Entitlement Programs: 1993 Green Book, Washington, D.C.: G.P.O. 1993.

Thus, the rapid increase is explained in part by addition of at least 255,000 children (approximately 30% of the current total number of children on SSI) who should have been found disabled from 1980 to 1991 had SSA been using a legal disability standard.

Second, SSA undertook a massive effort to identify children denied between 1980 and 1991, including outreach to the schools, public health clinics, and state welfare agencies. This publicity led to another wave of children applying for SSI benefits who may not have known of the program absent the massive outreach program.<sup>4</sup>

**b. SSA's Failure To Reevaluate Children's Disability Claims On A Regular Basis**

Instead of the reasons discussed above, I believe that the major factor creating dissatisfaction with the children's SSI program is SSA's failure to systematically review claims of disabled children to see if they are still disabled. These reviews, known as continuing disability reviews ("CDRs"), are

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<sup>3</sup> This data only tracks how many children were found disabled at the fourth step--the individualized functional assessment step. I am not aware of data that tracks the number of children found disabled because their impairments were functionally equivalent to impairments set forth in the listings at the third step of the sequential evaluation. However, such awards are rare.

<sup>4</sup> Although no hard data confirms this, I believe that many who would benefit from government programs, including SSI, never learn of the programs. See also National Academy Of Social Insurance, Policies for Children with Disabilities: Connecticut, Virginia and Some National Trends, (Draft Working Paper) January 1995 at 51 (Noting that "powerful effect of active outreach has been demonstrated--perversely in the eyes of some--by the post-Zebley boom in children's SSI applications.").

essential to ensure that all children who receive disability benefits continue to be disabled. Many children, while disabled at the time of the initial disability determination, overcome their disabilities. When children no longer meet the disability standard, they should not receive SSI benefits.

The HHS Inspector General study stated that "[c]ontinuing disability reviews (CDR), designed to ensure that SSI beneficiaries remain eligible for SSI benefits after enrollment, were generally not conducted on SSI beneficiaries, including children with disabilities." *Id.* at p. iv (emphasis added).

SSA's failure to do CDRs is even more striking based on the HHS Inspector General study finding that "[estimated] that 104,713 of the 124,639 children included in our audit universe were determined to have nonpermanent impairments by DDS personnel, and improvement is either possible or expected." *Id.* at p. iv.

Yet, SSA, in its response to the HHS Inspector General study stated that it would do only 5,000 CDRs of children in fiscal year 1995. HHS Inspector General report, app. C, p. 2. SSA states that "[t]he 5,000 childhood cases will help us to begin developing the base of knowledge necessary for the sophisticated targeting of childhood CDRs." *Id.* at App. C, p. 3.

SSA's failure to do timely and effective CDRs has contributed most to the perception that the children's SSI program is out of control. The cases identified in the national media, if the facts are as they are presented, cry out for continuing disability review. Yet, SSA has stood by blithely, ignoring its duty to do CDRs of the child population receiving SSI benefits. Putting in place an effective CDR program would go far to answer criticism of the children's SSI program.<sup>5</sup>

**c. At Least Half Of All Children Who Apply For SSI Are Denied.**

Additionally, the denial rate for children who apply for SSI benefits belies the claim that the children's SSI program is out of control. Since the new rules took effect in February 1991 after *Zehley*, half the children who applied nationwide were denied benefits. Denials on the national level totalled over 800,000.<sup>6</sup>

Recent data from Illinois shows a much higher denial rate; more than two out of three children who apply are denied. Statistics from the Illinois Bureau of Disability Determination Services ("BDDS") covering six months, July 1994 to December 1994, show that at the initial determination level, 4,372 children of the 13,966 children who applied were found disabled (31%); and at the reconsideration level, only 167 children of 2530 children filing reconsideration appeals were found disabled (7%).

Statistics for foster children seeking SSI in Illinois also support this conclusion that many fewer children are qualifying for SSI benefits. Since February 1992, LAFC has filed and pursued SSI applications on behalf of children in the foster care system in Cook County, Illinois. LAFC staff file SSI applications only for

<sup>5</sup> Congress has previously recognized this problem. The Social Security Independence and Program Improvements Act of 1994 (Pub. L. 103-296) requires SSA to conduct CDRs on children receiving SSI benefits after they reach 18 years of age.

<sup>6</sup> This is taken from statistics provided to Jonathan Stein of Community Legal Services of Philadelphia, Pennsylvania by the Social Security Administration. The statistics, which track initial SSI children's determinations made from February 11, 1991 through June 30, 1994, show that 1,536,120 determinations were made, with 779,332 (51%) found disabled and 756,788 (49%) found not disabled.

those children for whom there is strong evidence of severe impairment(s). For the months of February 1992 to June 1992, 88% of children for whom applications were filed were found disabled. For July 1992 to June 1993, 73% of children for whom applications were filed were found disabled. For July 1993 to October 1994, 55% of children for whom applications were filed were found disabled. This data shows a precipitous drop in the approval rate for these children, whose cases were pre-screened for severe impairment(s) before filing.

**2. Children With Minor Behavioral And Other Problems Should Not Be, And Are Not Being, Found Disabled Under The Current Children's Disability Standard.**

Another charge made by critics is that children with minor behavioral and other problems are too easily found disabled under the current children's disability standard.<sup>7</sup> Neither the legal standards for determination of child's disability nor my experience substantiate these charges.

First, no child may be found disabled unless there is a medically determinable impairment. 42 U.S.C. § 1382c(3)(A) & (C)("[A] physical or mental impairment is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.").

Second, a child's medically determinable impairment(s) must be functionally "severe" for that child to be found disabled. 20 C.F.R. § 416.924(d) ("If your [impairment(s)] cause[] no more than a minimal limitation in your ability to function independently, appropriately, and effectively in an age-appropriate manner, we will find that you do not have a severe impairment, and are ... not disabled.").

Finally, SSA looks very hard at behavioral and other problems in assessing disability. SSA Disability Digest No. 94-3 states:

Most, if not all, children exhibit "disruptive behaviors" to some degree at times. Disruptive behaviors may be transient, increase with time, or diminish as the child matures. To have an impact on a disability determination, the alleged behaviors must result from a medically determinable impairment. If you establish a "causal" relationship to a medically determinable impairment, you must then determine to what degree the impairment-related behaviors limit the child's functioning."

Disability Digest No. 94-3 then goes on to require that, before any child can be found disabled, the disability examiner must obtain evidence regarding "the nature and intensity of the disruptive behaviors," "the frequency and duration of the behaviors," and "any interventions attempted to change the child's behaviors and the responses to these interventions." *Id.* This required evidence gathering ensures that no child with minor behavioral or other problems is found disabled.

In my experience, children whose claims are based on behavioral problems are the hardest in which to show disability. Doctors at the Illinois BDDS have informed me that they look at these cases carefully to identify those children whose behavioral problems are not the result of a medically determinable impairment

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<sup>7</sup> These charges concern roughly 22% of the children's disability population. Data from June 1994 showed roughly 832,000 children receiving SSI benefits based on disability or blindness. This population breaks down as follows: 44% of these children were disabled by mental retardation; 22% were disabled by psychotic and neurotic disorders; 25.4% disabled by physical diseases and conditions or congenital anomalies; and 8.5% by other impairments.

or not functionally severe enough to disable the child.

**3. Charges That Children Have Faked Disabilities Or Foregone Medical Treatment To Qualify For SSI Are Unsubstantiated.**

Some of the harshest attacks made by critics have alleged widespread fraud by the parents of disabled children. The alleged abuses are twofold: a) that parents have "coached" their children to cheat on tests measuring mental impairments, such as IQ tests to qualify for disability; and b) that parents have not given children prescribed medications or denied them access to needed treatment to cause an impairment to be disabling enough to meet the SSI standard.

**a. Coaching Children To Perform Poorly**

No hard data supports the charge of widespread cheating in the SSI children's program. SSA examined this issue, issuing a report in May 1994. Social Security Administration Office of Disability, Findings From The Study of Title XVI Childhood Disability Claims (May 1994). This SSA review of 617 school-related behavior disorder decisions found "no evidence of widespread coaching or 'malingering.'" Possible coaching was found in 13 of the 617 cases studied, 2.1%. Of the 13, ten were denied and three were found disabled, with all three allowances based upon impairments separate from the coaching-related impairments. Thus, none of the cases with coaching led to disability.

Indeed, this argument assumes that it is easy to fool trained disability examiners who look to multiple sources, not any one person, to establish eligibility. By obtaining evidence from physicians, psychiatrists, psychologists, social workers, teachers, therapists, guidance counselors, and laypersons, including SSA's own doctors, SSA's rules make it almost impossible for a child to be found disabled based on a single test result, or evidence from a single source.

For example, 20 C.F.R. § 416.924(g) stresses that the disability decision must be based on longitudinal evidence; that formal testing results must be tested against "customary behavior and daily activities" and that any discrepancies between the two must be resolved before a child could be found disabled; and that records from educational and other intervention programs are important sources of longitudinal evidence in the disability determination. See also 58 Fed.Reg. 47546 (Sept. 9, 1993) ("We do not disregard any relevant medical or nonmedical evidence, including test scores, but neither do we disregard apparent conflicts in the record when we consider that evidence in conjunction with the rest of the evidence."); and SSA Disability Digest No. 94-6 (March 1994) ("Listing 112.05 requires the establishment of mental retardation (MR). A low IQ score alone does not establish mental retardation. Deficits in adaptive functioning are part of the definition of MR and must be consistent with a person's IQ scores. Therefore, Listing 112.05 cannot be met unless an individual manifests both significantly subaverage general intellectual functioning and deficits in adaptive functioning.").

Moreover, in my experience, disability adjudicators take 20 C.F.R. § 416.924(g) very seriously. Doctors at the Illinois BDSS have informed me that they were very concerned about possible cheating or malingering effecting test results--thus, they carefully compared test results showing disability against the other evidence of record. Indeed, LAFC advocates routinely receive disability decisions that find children not disabled even though the records contain IQ test scores in the 50's and 60's because the adjudicators find that the children are performing at a higher level in "customary behavior and daily activities" than the IQ test results would indicate.

**b. Failure To Follow Prescribed Treatment**

I am not aware of any study that substantiates the charges that some parents fail to follow their children's prescribed treatment so that child will meet the SSI disability standard.

However, such cases should be denied disability. SSA regulations provide that "[i]n order to get benefits, you must follow treatment prescribed by your physician .... If you do not follow the prescribed treatment without a good reason, we will not find you disabled or blind or, if you are already receiving benefits, we will stop paying you benefits." 20 C.F.R. §§ 416.930(a) & (b).

In my experience, claimants, including children, who do not follow prescribed treatment, are routinely denied SSI disability. The regulations are clear and straightforward. And, disability adjudicators are well aware of those impairments, such as attention deficit disorders, asthma, or seizure disorders, that are usually controllable by medication or other therapies. The adjudicators routinely investigate whether prescribed treatments are being followed, and deny the claims when they find failure to follow prescribed treatment.

**5. Disabled Children And Their Families Are Best Served By Cash Payments; A Voucher Program Would Not Cover Many Types Of Assistance Needed By Families Of Disabled Children.**

**a. The Need For Cash Payments**

The basic purpose of SSI cash benefits is to pay for food, clothing, and shelter.<sup>8</sup> The benefits may also be used to pay for the child's extraordinary daily expenses or disability-related expenses.

In my experience, the main use of SSI benefits is to provide food, shelter, and clothing for a disabled child. And, for the most part, SSI cash benefits replace wages of a parent who is forced out of the employment market because of the special needs of his or her disabled child.

The burden of care for a disabled child often precludes competitive employment. For example, one parent of a child with severe asthma was forced to quit her work as a secretary because of her frequent absences to care for her child. Likewise, the parent of a child with seizures could not keep employment because of her frequent absences to care for her daughter with a seizure disorder.

Many other parents with disabled children cannot find adequate child care to allow them to work. Adequate child care is not

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<sup>8</sup> Some have charged that parents have misused SSI funds, either in spending that did not benefit the disabled child, or in spending that, although for the benefit of the child, was improper. In large part, I believe that "misuse of funds" resulted when Zebley class members were paid large retroactive lump sums. Zebley children who were found disabled received lump sum SSI payments as high as \$25,000 to \$30,000, with average payments of \$10,000 to \$15,000. However, under SSI resource rules, 20 C.F.R. § 416.1233, the children were required to spend these funds within six months if the child was to remain SSI eligible. Thus, parents were all but forced to quickly spend lump sum awards so that their children could remain SSI eligible, and correspondingly, eligible for the Medicaid coverage that accompanied SSI eligibility.

Indeed, if a parent is in fact abusing his or her duty to spend SSI monies for the child's benefit, SSA can and will remove the parent as a "representative payee" for the child and find another responsible person to receive the child's SSI payments.

inexpensive, and often is too costly for parents working in low wage jobs. And, this problem is exacerbated when the child is disabled. For example, even a mentally retarded child often needs more specialized child care, because the care requires extra vigilance to watch that child more closely. Child care for disabled children is often more expensive, and more difficult to find. Many private child care providers will not care for disabled children.

**b. The Problems With A Voucher Program**


Some have suggested that the current cash payment system be replaced with a voucher program that would cover items not covered under a state's Medicaid plan. However, such a plan would not adequately meet the needs of disabled children, and would add another level of bureaucracy that would further frustrate efforts of disabled children and their parents to obtain needed services and supplies. Certainly, such a program would not provide for a child's food, shelter, and clothing.<sup>9</sup>

Moreover, disabled children already use a voucher program, Medicaid, to receive medical care. That voucher program is neither efficient, nor easy for recipients to use. In Illinois, disabled children and their parents have difficulty finding doctors and other medical providers, such as wheelchair manufacturers, who are willing to accept Medicaid as payment for treatment because of low Medicaid reimbursement rates and long delays in payment. And, children and their parents continually have problems maintaining eligibility for Medicaid and establishing that Medicaid will cover certain medical services and devices. Setting up another voucher program will create the same problems for disabled children and their families.

In conclusion, I do not believe that the children's SSI program is so flawed that it must be overhauled. Certainly, certain steps must be taken to ensure the integrity of the program. Chief among these must be requiring SSA to immediately implement a systematic continuing disability review program to ensure that children receiving SSI benefits are still disabled. See pp. 3-4.

Should you have any questions or need additional information, please contact me. Thank you for the opportunity to provide you with this written testimony.

Respectfully submitted,

  
Thomas Yates

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<sup>9</sup> In response, some critics have suggested that such families with disabled children can survive on AFDC if the SSI program no longer provides cash payments. See HHS Inspector General study at p. iv-v. However, the AFDC program is no panacea for the families of disabled children. First, AFDC almost certainly will be reformed to include stringent work requirements that will adversely affect the parents of disabled children, who cannot work because of the need to provide care for their disabled children. And, the low level of payments does not provide enough for a family with a disabled child to survive. For example, in Illinois, a child and mother receive \$278 monthly in AFDC, 34% of the monthly federal poverty rate for two persons. A parent and a disabled child receive \$670 (\$212 in AFDC for caretaker parent and \$458 for the child in SSI), 82% of the monthly federal poverty rate for two persons. (Based on 1994 federal poverty rate of \$820 for two persons).



**TESTIMONY OF LEE GREGORY AND JOHN CHENEY EGAN  
MANDEL LEGAL AID CLINIC, UNIVERSITY OF CHICAGO**

Thank you for allowing us this opportunity to submit our statement regarding the Personal Responsibility Act - Contract with America to the House Ways and Means Committee. More specifically, we are responding to the potential reduction of benefits for individuals diagnosed with a substance abuse disorder on the Supplemental Security Income Program. These comments were prepared by John Cheney Egan, Social Service Coordinator and Elizabeth Gregory, a second year social policy intern for the Homeless Assistance Project at the Mandel Legal Aid Clinic. The Mandel Legal Aid Clinic is the clinic of the University of Chicago Law School. The Homeless Assistance Project assists individuals who are homeless and mentally ill (which includes substance abuse) obtain benefits, housing and services. We are currently assisting twenty three individuals who are seeking Social Security Disability Insurance and/or Supplementary Security Income. The majority of them are seeking benefits, at least in part, due to a substance addiction disorder. These individuals have recently been subjected to strict time limits and punitive rules in order to receive SSI, their access to this government assistance program should not be impeded any further.

Treating technologies for substance abuse are still in their infancy stage. Only recently has substance abuse been recognized as a disease. While we wait for effective medical treatments to be developed, we must use the psycho-social approaches to helping people address their illness. One commonly used treatment methodology recognizes that many people who abuse substances are immersed in a drug culture, a culture of disease. They spend much of their time around other people who share and support their illness. Treatment begins by introducing the client into a culture of recovery. The culture of recovery supports the individual decision to abstain from drugs and alcohol. This is a difficult process for the client because they are asked to leave the culture which is comfortable and familiar and enter one which is foreign to them. The income provided by SSI supports individuals efforts towards recovery by giving them the economic means to support themselves while they are crossing the bridge between the two cultures.

Mandel Legal Aid serves primarily indigent clients. For these individuals the process leading to recovery is even more pronounced. When a homeless person comes to the clinic for assistance our first priority is to secure some type of housing. Without the stability of having a roof over one's head it is impossible to begin to deal with other issues, such as psychiatric care or substance abuse treatment. Due to the epidemic proportions of homelessness in this country, finding even marginally safe and permanent housing is difficult and expensive. Supplementary Security Income provides these individuals with their only means of obtaining and maintaining stable housing which in turn allows them the stability necessary to seek and participate in substance abuse treatment.

Under the current SSI regulations individuals who receive SSI due to a primary diagnosis of substance abuse must either be waiting for or receiving appropriate treatment while they are receiving benefits. We have found that for some clients it is helpful to inform our clients that the Social Security Administration mandates treatment for persons on SSI for a substance abuse problem. This often provides the extra incentive

necessary for a person to begin the arduous process of finding a treatment program. None of the clients who we have assisted in securing SSI benefits for a substance abuse disorder came to our program seeking treatment, they came seeking federal disability benefits. After developing a relationship with the clients we were able to stress the importance of appropriate treatment. Every client who has sought our services has been referred to substance abuse treatment programs. In this manner the current federal regulations provide a service to American individuals afflicted with the disease of substance abuse. Reducing the amount of benefits available to individuals with substance abuse disorders would send a clear message that the government is not interested in assisting its citizens in overcoming disabling addictions.

Often programmatic approaches to this population tend to include rules that are excessively punitive which often fail to meet their intended goals. Supplemental Security Income has helped service providers reach out to a disenfranchised population and encourage recipients to obtain treatment for their disability. Terminating this program will limit the ability of public and private service providers to assist them. In its absence this population will become more dependent on much more expensive programs such as homeless shelters, public hospitals and other service providers. These programs would have fewer resources to assist other individuals seeking there services. Therefore, cutting this program will actual cost more money by increasing the demands of people seeking services and by aggravating the circumstances of people most in need.

It would be a grave error to further reduce the benefits available to Americans with substance abuse disorders. Our agency has successfully worked with clients to enter the culture of recovery. Our experience establishes the importance of economic stability for our clients to even begin seeking treatment. Furthermore, for many of our clients, the combined effect of financial support and treatment has facilitated greater financial independence through employment. It is on behalf of these clients that we respectfully submit these comments on the Personal Responsibility Act and Supplemental Security Income

## STATEMENT OF MICHAEL S. MARCH

MONDAY, JANUARY 23, 1995

COLORADO DAILY — OPINION

# Gingrich and GOP should cultivate people, not poverty

**T**he recently empowered Republicans led by Newt Gingrich are mounting a Reagan-type raid on the U.S.

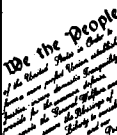
Treasury to benefit the rich and the big corporations at the expense of poor kids and their mothers. "New Democrat" President Clinton has also proposed some questionable tax cuts in a foolish effort to win some votes from the "middle class." Clinton's tax cuts will have to be paid for from cuts in existing programs and sales of national assets such as the Naval Petroleum Reserve. Gingrich's tax cuts and defense increases are also to be financed by cutting and even eliminating assorted welfare programs that have given succor and opportunity to millions of the poor and unemployed working people of America. Since these programs were started in 1935, they have been enhanced and/or continued by subsequent presidents up to Bill Clinton, who has become a Democrat turncoat.

This nation is not going to be served by cultivating more poverty, as Gingrich proposes and as Clinton did as Governor of Arkansas by running a direly inadequate AFDC program. Economists have known since the early 1960s that investment in human resources is a major factor in high labor productivity and overall economic growth. Scholars have also known that proper physical development and intellectual stimulation of toddlers is a major factor in their later development. Unfortunately, numerous studies document the hard truth that the United States has major gaps and deficiencies in its health, child-care, education, income-security, and social-services systems. It will not improve the situation to eliminate or reduce federal social-welfare programs or to try to shunt them to states and local communities, which already have enormous unmet needs and wide disparities in their people programs.

The Gingrich-led Republicans elected to the 104th Congress are proposing to cut a whole range of welfare and related social programs in the next 10 years by \$700 billion or more. For example, it has been reported that Gingrich wants to reduce family assistance programs by \$45 billion in the first four years, to knock 5 million kids entirely off the welfare rolls. He proposes to put the children in orphanages — at a cost of \$30,000 or more per child, per year. Historically, orphanages have provided a negative environment for kids. The Republicans propose to give capital gains tax cuts for the rich of \$170 billion plus plant-depreciation allowances of \$180 billion for the corporations. Clinton has countered with proposed tax credits of \$174 billion for "middle-income" families over 10 years. They include child tax credits for families with incomes of up to \$75,000 a year; college tuition tax credits up to \$10,000 for families with incomes up to \$120,000; and IRA tax credits for families earning up to \$200,000 yearly. It is difficult to see how these politicians can force children of families with little or no earnings to go hungry or homeless while the rich, the corporations, and the upper-middle class receive tax cuts.

The Gingrich-Clinton tax reduction and social-program cut proposals would be bad economics and grossly cruel social policy. For macroeconomic purposes, the government can use fiscal and monetary policy to stabilize the economy from undue cyclical fluctuations. Tax cuts for the well-to-do, the upper-middle class, and corporations during the present relatively booming economy do not make sense, because they are likely to stimulate inflation. The Republican drive for tax reductions really represents a

## Revolving Door



Michael S. March

desire by the rich, who financed the Republicans into office, to repeat the 1980s Reaganism scenario — but this time, with drastic reductions in federal programs for the poor and working people. Reagan and Bush greatly boosted defense spending and made huge cuts in taxes. Their resulting budget deficits led to an increase in the public debt from \$0.9 trillion in fiscal 1980 to \$4 trillion in 1992 — and their deficits still dog our economy. Interest costs on the public debt quadrupled from \$75 billion in 1980 to \$292 billion in 1992. The Clinton administration projects that the debt will rise to \$6.3 trillion by the year 1999. No wonder that Clinton's economic advisers urged him not to join Gingrich's tax-cut game.

Additional tax cuts under these circumstances — especially if the Republicans secure enactment of the constitutional balanced-budget amendment — would end up requiring destruction of numerous federal programs and agencies or large tax increases. If the related Republican proposal drafted by Dick Army for a flat 17-percent tax on income should be enacted, the United States would also end up with an intolerably regressive and unjust tax system.

From the microeconomic and social-policy standpoints, it is incredible that the Republicans in the 104th Congress propose to destroy the "social contract" that has existed between the people and the U.S. government since the Great Depression. The Republican proposals for 1995 to virtually eliminate programs for the needy would devastate the lives of millions of grievously needy people.

The United States needs effective anti-poverty programs. Census data show that the inequality of income and poverty have been burgeoning here since 1980. The incomes of the top fifth of the population jumped from 44.1 percent of the national total in 1980 to 48.2 percent in 1993. The income share of the bottom fifth slid from 4.2 percent in 1980 to a meager 3.6 percent in 1993 — and these people were the ones targeted by the Republicans for huge program cuts. The income share of the top 5 percent of households in 1993 reached 20 percent, as compared to 16.5 percent in 1980. The number of poor people in 1993 reached 39.3 million, the highest rate in 10 years. Among children, 22.7 percent were living in poverty in 1993; that is, four out of 10 people in poverty were children. That is not a way to build a great nation.

There is also an enormous concentration of wealth in the hands of the very rich in the United States. The 1993 Congressional "Green Book" shows that the top 10 percent of the households owned \$10.3 trillion of this country's wealth in 1989. The wealth of this group under the Reagan and Bush administrations had increased by \$3.6 trillion since 1983. Just in that short span of time, the wealth of this group increased more than the public debt rose under the Reagan and Bush administrations.

Poverty is the breeding ground for human failure and for numerous other social problems, such as crime, substance abuse, teen-age pregnancy, child neglect and abuse and intergenerational poverty. The Republican "contract" will greatly increase poverty in America if the Congress adopts its damaging provisions. The richest country in the world will be imposing on its children the conditions of a Third World country. Why would Republicans want to do this to America? The U.S. government can meet the legitimate social and other needs of this country by levying modest additional taxes on the very wealthy and the transnational corporations. Every child born in this country deserves a full chance to share in the opportunities this nation can readily provide if it adopts fair policies.

Michael S. March, Ph.D., served as a fiscal and legislative analyst in the Bureau of the Budget/OMB, Executive Office of the President, from 1944-1973 under six presidents. He is also emeritus professor of public affairs, CU-Denver.

**TESTIMONY OF CHARLES R. COOPER  
MARYLAND FOSTER CARE REVIEW BOARD**

**TO THE UNITED STATES HOUSE WAYS AND MEANS  
SUBCOMMITTEE ON OVERSIGHT**

**REGARDING THE "427 PROTECTIONS"  
AND CHILD WELFARE LAWS GENERALLY**

February 7, 1995

**Background**

There is a child welfare crisis in the United States. The extent and severity of damage to children from child abuse and neglect has intensified in the past ten to fifteen years. The child protection system did not initiate the social problems leading to this crisis.

If the principles and protections of PL 96-272 had not been enacted, the child protection system would be out of control and vulnerable children in this country would be unimaginably worse off. This is not to say that every procedural requirement of existing IV-B and IV-E law is vital. Below, we will try to point out where less effective laws could be eliminated or streamlined.

**Retain Basic 427 protections from PL 96 -272**

The essential requirements of PL 96-272 are that

- each state must have an **inventory** of foster children in its charge; more recently this requirement has been expanded to advance the creation of AFCARS, a national database for foster care and adoption;
- for each child there must be **case plan** which, in its essence, shows 1) where and when the child will be placed in a permanent home; 2) how well the current out-of-home placement meets the child's needs and, if it doesn't, what changes in placement are contemplated; and 3) by what steps these permanent and temporary placements will be accomplished;
- an **administrative review** must be held each six months for each child; and
- a **court disposition hearing** must be held for each child and the court must determine whether reasonable efforts have been made to keep the child out of foster care. **Court reviews** must follow each 18 months; the court must assess the progress toward placing the child permanently.

The true goals of foster care are embodied in the case plan requirements and the reasonable efforts determinations. Who can say that if a child you cared about were placed in foster care that you would not demand that these rational measures be taken on the child's behalf?

*Would you truly be willing to commit the child to a system that cannot create a computer record of the child's stay in the system when you would not entrust your money to a computer-less bank? Should we not have a national database so that Congress can intelligently formulate policy on the 500,000 children in public custody when we spend billions on economic statistics of every variety?*

*Would you be willing to commit a child you care about to the authority of an agency and a person who could not coherently express in writing how the child's placement is better than living in the home from which the child was removed?*

*Would it be acceptable if a child stayed in foster care for year upon year and no responsible authority compared the case plan to the reality to make sure that actions occurred in the child's best interests?*

*Would you return to the days when courts removed children from their parents and placed them in the custody of agencies who kept the children ten or even twenty years without the court ever inquiring as to the children's fate?*

The citizens who volunteer their time to monitor care and permanency planning for foster children do not want these protections removed. The problems with these

requirements lie more in lack of implementation of the true intent and lack of enforcement than in the requirements themselves.

As a result of many factors, including citizen review boards, the protections of PL 96-272, and the cooperation of social services staff, progress in Maryland since 1980 is substantial:

#### Before 1980

Maryland could not accurately track number of children entering and exiting foster care

Children remained in care an average of four to six years.

Case records showed a permanency plan for 7% of children.

Child's status at exit was not systematically recorded.

Re-entry rate not measured.

Adoption was a low priority.

#### After 1980

Tracking capacity has steadily improved.

Average length of stay dropped to 18 months, although it has increased to 26 months recently.

Caseworkers make a permanency plan for all children.

Eighty percent of children are returned to parents, placed permanently with relatives, or adopted.

Fewer than one of six children return to foster care within 18 months after leaving placement.

More children adopted with less delay.

The federal requirement to prepare case plans and conduct case reviews are complied with because of fear of federal financial penalties. When staff of a local department of social services fail to comply with citizen review procedures, State and local administrators take corrective action quickly because of the federal mandate.

#### **Mandate citizen review for every child**

Citizen reviewers actively advocate for permanence on a child-by-child basis. They struggle to overcome the inertia that can lead to long-term governmental responsibility for children - a responsibility which can backfire by making the child a bureaucratic football. We continually beat the drum for social workers and judges to hold parents accountable for *their* responsibility to remedy the causes which required the state to remove the children.

Citizen reviewers know that the case review is the indispensable mechanism to assure progress on implementing case plans. Our boards find about 15% of cases in which we judge that either the casework effort is expended in the wrong direction or that the court or social agency is failing to act promptly to facilitate permanent placement. We have many letters from social services administrators stating that case planning will change direction or that inaction will be turned to progress because of the recommendations of the review board. It is one thing to write a plan and another - much more difficult - thing to actually do it. Suppose no one were conducting these reviews to find those 15% of cases - children - where progress is inadequate. The accountability of a properly-conducted review makes things happen. We recently received a memo from the Director of the Baltimore City Department of Social Services stating, "We . . . feel that an outside review is preferable."

One of the most fortuitous effects of instituting citizen review is the impact it has on child welfare reform. The benefits extend to all three branches of State and local systems. The Maryland Foster Care Review Boards (FCRB) have exercised leadership as advocates for the following changes and outcomes (among many others):

- Caseloads are kept fairly low compared to many other states.
- The State has promulgated an interagency family preservation plan and set a goal in law to prevent placement whenever it is in the child's best interests.
- Adoption and termination of parental rights laws have been amended 14 times since 1987 to expedite the adoption process.

- The single state agency (Department of Human Resources) has accepted many of our suggestions regarding regulations and procedures - for example to combine foster care and adoption home approval processes in order to eliminate delays in foster parent adoptions.
- Our new Governor was in office less than one week when he promulgated an adoption initiative using bills and other reforms proposed by FCRB.

It is our belief that the effectiveness of the 427 requirements and the citizen review system (which was created in Maryland prior to PL 96-272) are mutually reinforcing. In our view contention that the requirements are ineffective is colored by the lack of citizen participation in the larger states such as New York and California. Insofar as the requirements did not work because of unenthusiastic enforcement by DHHS, the best remedy would be to tighten accountability and reserve a small fund to provide incentive payments to states which achieve the *substance* of federal permanency planning requirements.

*We endorse language submitted to the Subcommittee by the National Association of Foster Care Reviewers. It creates a meaningful citizen oversight function that has enough practical support to be effective as statewide monitoring and advocacy agents for children.*

Citizen review need not be costly. Maryland has one of the most extensive citizen review programs in the nation. Total expenditures come to about \$80 per case review conducted. Compare that cost to the \$20,000 average cost for one year of foster care.<sup>1</sup>

#### **Eliminate unnecessary or duplicative requirements**

IV-E program - is flawed at its core. The requirement that the child be removed from the "parental home" is not in the nation's or the children's best interests. The requirement should be of a finding of abuse, neglect, or abandonment, or, alternatively, the narrow voluntary placement provision now in law. More significantly, the federal government is willing to pay for states to care for children whose parents are poor enough to be on AFDC, but the federal government is not willing to pay for children whose parents earn \$9,000 per year working for the minimum wage. The result is that many hours of staff time are wasted filling out forms and making arcane distinctions among children. This paper-shuffling has nothing to do with the fact that the children need protection from abuse and neglect. Here, the states are distracted from the task at hand by needless federal complications. Maryland wastes an estimated \$1,000,000 on useless eligibility procedures for IV-E.

IV-A Emergency Assistance - Funding child welfare through access to emergency assistance creates a nightmare of paperwork. The proportion of emergency assistance funds used for child welfare purposes should be folded into a simplified system of child welfare programs (see suggestions below) so that caseworkers can do casework.

Placement in close proximity to the parent - Many of the parents are exceedingly transient. To the extent that this requirement is important, it is subsumed in the much-more-important requirement to make reasonable efforts to reunify children with their parents.

Case plan assures that the child receives proper care - this is duplicative of the requirement that case plan assures the appropriateness of the placement.

Safeguard parents' rights pertaining to visitation or a change in the child's placement - Again, transiency of many of the parents makes this provision difficult to implement. Congress should retain the requirements that procedural safeguards were applied to the child's removal from the parent and that reasonable efforts be made to reunify. In that context, it can be left to states how to handle notification of a parent of a change in the child's placement or changes in visitation arrangements.

#### **Do not cut federal assistance for child welfare**

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<sup>1</sup>About one of six children is in high-cost group care or residential treatment.

The truth is that the needs of children in the United States to be protected, especially from the destructive consequence of severe neglect, are increasing - not decreasing. While somewhat fewer than one percent of our children are in foster care on any given day, millions of today's children will spend some time in the custody of the State. Many more are harmed by abuse, neglect, and abandonment but are never placed. At a time in our nation's history when the work force is shrinking as percentage of the population due to the shift in age distribution, these child victims may never become taxpayers unless the child welfare system can be improved. Worse, they may become lifelong tax consumers.

These children do not deserve to suffer, and we should protect them on moral grounds. At the same time, there is a vital national economic interest in strengthening the child welfare system.

An overriding reasons why child welfare funding should be *increased* now is that unintentional consequences of welfare reform could exacerbate the burden on child welfare systems. Many measures are being considered including incentives for AFDC recipients to leave welfare and disincentives to their staying on welfare. Many of the situations which precipitate child welfare involvement are the culmination of years of frustrations which cause parents to literally give up on discharging their parental responsibilities. Even the most judicious welfare reforms may include measures which will cause *some* parents to reach that point of desperation. Welfare reforms which may help the country in the long run (ten to 20 years), are quite likely, in our judgement, to exacerbate child maltreatment in the short run.

#### **Combine programs; shift priorities; retain standards that protect children**

The present structure of over 20 federal programs does burden states with unnecessary paperwork. The detailed paperwork requirements are an important factor leading to over-specialization of child welfare work. This compartmentalization, in turn, erodes the continuity of casework that is necessary to make good decisions and provide the best possible help to families and children. Review boards are quite frustrated with seeing families "served" by five or even more primary caseworkers over a period of a year or two. We hope that streamlining of federal funding streams can facilitate streamlining of the service delivery system at the front line.

In the three pages which follow, we attempt to provide a conceptual design for how federal child welfare assistance to states would better serve the nation.

Our recommendations would do the following:

- Reduce the number of programs from 20 to six.
- Eliminate the present over-emphasis on funding for placement services.
- Add a meaningful but flexible incentive scheme for states to reduce scandalously high caseloads where they exist.
- Retain other important protections for children (with the proviso that citizen review will make them more meaningful)
- Create an outcome incentive fund that will act as a counterbalance so that procedural protections do not remain ends in themselves as they have in some areas of the nation.

We thank the Subcommittee for inviting comments. In making these suggestions to restructure federal aid, we recognize that we are not experts in the technical details of these programs. We do, however, see what happens to children and accept the responsibility of assisting the Subcommittee in the search for a federal-State relationship that will promote our goal:

*The State should protect children, not parent them.*

**POSSIBLE STRUCTURE OF FEDERAL FUNDING  
AND GOVERNANCE FOR CHILD WELFARE**

**Present Funding<sup>2</sup>**

IV-E Foster Care	Uncapped entitlement	\$2,606,000,000
Adoption Assistance	Uncapped entitlement	317,000,000
IV-A EAFC/ESFC <sup>3</sup>	Uncapped entitlement?	300,000,000
IV-B Child Welfare	Capped grants	295,000,000
Independent Living	Capped grants	70,000,000
Family Unification (housing)	Grants to some states	50,000,000
Family Preservation <sup>4</sup>	Capped grants	225,000,000
Child Abuse <sup>5</sup>	?	118,000,000
Other <sup>6</sup>	?	33,000,000
SS/Child Welfare Training and Research	?	24,000,000
Court Improvement Grant	Capped grants	10,000,000
Estimated Growth for 1995		400,000,000
<b>TOTAL</b>		<b>\$4,448,000,000</b>

**Proposed New Funding Structure****Proposed Program****Rationale**

Separate the *adoption assistance program* and retain as an uncapped entitlement

Provides incentive for permanency

Create a *child protection program* which states can use to fund CPS investigation, family preservation services, neighborhood and community services, and treatment for the child's need. Fund it approximately equally to the foster care maintenance payments program

Expands ability to help child and family without initiating out-of-home placement. Reduces current imbalance of in-home vs. out-of-home funding by which the federal government provides an incentive for states to remove children.

Revise the remaining IV-E *foster care program*, funded approximately equally to the proposed child protection program (above).

Provides assistance to states to aid large numbers of children who will continue to need placement services.

Create a new *incentive fund* to supplement the child protection and foster care programs.

Provides a way to reward states for achieving good outcomes.

Expand *child welfare research* grants.

To provide states with much-needed guidance on best practice and to inform future policy-making.

Retain *court improvement program*.

Separate branch of state government requires assistance to improve performance in child welfare cases.

<sup>2</sup>1994 Conference amounts

<sup>3</sup>Amount "guesstimated."

<sup>4</sup>1995 amount.

<sup>5</sup>Includes state grants, discretionary activities, challenge grants, crisis nurseries, abused infants, emergency protection/substance abuse, family violence.

<sup>6</sup>Includes adoption opportunities, family support and resource centers, VOCA program (Department of Justice).



# Proposed Funding, Governance, and Accountability Provisions

Program	Funding Formula	1st Yr Amount	Safeguards/Penalties
Child Protection	<ul style="list-style-type: none"> <li>● Block grant</li> <li>● # of children</li> <li>● # of children in poverty</li> <li>● # of child abuse/neglect reports for prior year</li> <li>● # of child-months of service provided in prior year</li> <li>● Adjusted annually for inflation and formula factors</li> </ul>	\$1,941,000,000	<ul style="list-style-type: none"> <li>● Training or competency testing of staff</li> <li>● (Total professional staff hours*) / # of child-months service provided must exceed 7; 10% penalty for each half-hour under 7.</li> <li>● Information system and reports to HHS</li> <li>● Child's best interests must govern</li> </ul>
Foster Care	<ul style="list-style-type: none"> <li>● Uncapped entitlement</li> <li>● # of child-months of foster care provided X average cost for maintenance and administration</li> <li>● Match rate reduced to account for un-linking from AFDC and first year reduction in budget</li> </ul>	\$1,942,000,000	<ul style="list-style-type: none"> <li>● (Total professional staff hours*) / (# of child-months service provided) must exceed 14; 10% penalty for each hour under 14.</li> <li>● AFCARS reporting to DHHS</li> <li>● Child's best interests must govern</li> <li>● Reasonable efforts determination</li> <li>● Reasonable paternity and child support efforts</li> <li>● Plan to reduce (as an absolute number or as a proportion) children remaining in foster care more than two years</li> <li>● Training or competency testing of staff</li> <li>● Case plans, periodic citizen reviews, and 18-month dispositional reviews</li> <li>● Child removed from parent's or guardian's custody for abuse, neglect, or abandonment and placed in approved setting.</li> </ul>
Adoption Assistance	<ul style="list-style-type: none"> <li>● Unchanged except match rate reduced to account for un-linking from AFDC.</li> </ul>	\$ 360,000,000	<ul style="list-style-type: none"> <li>● Unchanged</li> </ul>
Court Improvement Grants	<ul style="list-style-type: none"> <li>● Unchanged</li> </ul>	\$ 10,000,000	<ul style="list-style-type: none"> <li>● Unchanged</li> </ul>
Research, Training, and Demonstration	<ul style="list-style-type: none"> <li>● ?</li> </ul>	\$ 75,000,000	<ul style="list-style-type: none"> <li>● ?</li> </ul>

Program	Funding Formula	1st Yr Amount	Safeguards/Penalties
Incentive Fund	<ul style="list-style-type: none"> <li>States's proportional share of the following sum for prior year:  <math>RH + Rel + Ad - RE - (50XCD)</math>,            where <math>RH = \#</math> returned home, <math>Rel = \#</math> placed in rel custody, <math>Ad = \#</math> adopted, <math>RE = \#</math> re-entering care, and <math>CD =</math> child deaths from abuse/neglect</li> </ul>	\$120,000,000	Not applicable
TOTAL		\$4,448,000,000	

- Paraprofessional service delivery staff hours count 60% of professional staff hours.

#### Explanation of New Programs and Requirements

- Under the Child Protection Block Grant (CPBG), states would be required to show that professional staff doing direct child welfare casework either had suitable educational background or could pass a competency test demonstrating knowledge of the basic child welfare laws and policies of the state.
- Under both the CPBG and the Foster Care entitlement program, there would be a sanction for high caseloads. A standard would be set by Congress. (In the example it is given, respectively, as seven (under CPBG) and 14 (under Foster Care) hours of staff time per child-month of service provided. An hour of staff time is the time of any person employed to work directly with children, families, or placement resources or the direct administrators of those staff. The state could count time that staff are on leave, in training, or performing administrative tasks. The method could be applied both to public agencies and to private agencies which deliver services under contract without regard to how caseloads are organized. A 10% penalty in the state's total funding under each program is assessed for each unit of time by which the state fails to meet the standard.
- Under the Incentive Fund each state would receive a share of \$120,000,000 for the first year according to its share of sum composed of the number of children placed permanently with parents, relatives, or adoptive parents. The sum would be reduced for each child re-entering foster care and further reduced by 30 times the number of child maltreatment deaths in the state. (If the total sum for a state were negative, no payment from the fund would be made.) Payments would be made on results in a prior year. For example payments for federal fiscal 1997 could be made by March 1, 1998. All the items used in the formula could be calculated from AFCARS, except for child deaths.



## Michigan League for Human Services

300 N. Washington Sq., Suite 401 • Lansing, MI 48933 • (517) 487-5436

### Statement on the Needs of Michigan's Low-Income Families with Children and Current Federal Proposals for Block Grants and Welfare Reform

January 30, 1995

The Michigan League for Human Services began in 1912 as a statewide private nonprofit association of citizens concerned with a broad range of human services issues and with the viability of the agencies and organizations delivering the services. In 1995, the League continues its nonpartisan work toward the strengthening of essential human services in Michigan through research, education, advocacy and support services to the state's private charitable organizations. It is from the League's 83-year history of monitoring and evaluation of public social welfare and health programs in Michigan--including active involvement in the development of Michigan's Poor Laws in the 1930s at the request of the Governor--that the following observations and recommendations are made.

The most pressing need as the block grant and welfare reform discussion unfolds is for clarity on the goals of the affected programs. If an overriding goal is to change the behavior which leads to teenage pregnancy, many issues external to the welfare system would have to be addressed. If the major goal is to move welfare poor families into the ranks of the working poor, it is important to first ascertain the degree to which these groups are separate and distinct, or significantly one and the same families that churn in and out of the marginal labor force and the public assistance system.

If, however, the goal is to move welfare poor families and those characterized as the working poor onto a path which carries the potential for them to raise their children in dignity, adequacy and safety, different strategies are required. And if the overriding goal is the care and protection of children, the replacement of an entitlement to minimal subsistence for every American child with capped block grants to the states would put millions of them at unnecessary risk.

Only when the nation's goals are clarified and broadly understood can standards against which to measure when the goals are being met be developed and used. From the League's perspective, as these goals and standards are being discussed, the following issues deserve serious consideration:

1. **The need for a national policy which would support and protect every American child.**
2. **The long-term advantage of serious and targeted investments to assist low-income parents to be self-sufficient--similar to those the state and nation make in other young adults.**
3. **The threat to the health and safety of families in a recessionary economy presented by capped block grants to the states--nationwide and in Michigan.**
4. **The inability of private charities to expand to handle additional basic needs if underfunded public programs are further cut back.**

Supported by Local United Ways through the United Way of Michigan



- ***The United States should establish a national policy on children and families which would protect the well-being of all children rather than move in the opposite direction.***

The states need a reasonable level of flexibility in administering income, nutritional and other support programs to children and families, but national public policies should set general eligibility guidelines and place a uniform income floor under every American child. Further, it should be recognized that national policies to manage the economy contribute significantly to the need for assistance programs--raising interest rates to "cool off" the economy also serves to maintain a pool of 6 to 7 million unemployed persons. Lamar Alexander, then Governor of Tennessee and later Education Secretary under President Bush, outlined the issues well more than a decade ago when he advocated for a strong federal role--rather than block grants to the states--in cash assistance programs:

*"First, the demand for these programs is a function of economic conditions, which, in turn, are strongly affected by federal policies (e.g., tariffs, subsidies, interest rates) over which state officials have no control. National economic policies create constantly changing groups of winners and losers. With exceptions, our national policy has been to allow such changes in the interest of a competitive economy and to use social programs to cushion the impact on individuals. I believe that the federal government, which is responsible for setting national economic policy, should also be responsible for mitigating the ill effects of this policy on individuals. Second, only the federal government can assure equity for all citizens by providing a reasonably comparable level of assistance in each state...."*

*"Where Should the Buck Stop," Public Welfare, Winter 1982, pp 5-6*

Since the "Family Assistance Plan" was proposed by President Nixon, many thoughtful observers have advocated for a national policy which would prevent states from providing monthly cash assistance of less than \$250 to a family of three, such as is currently done in eight of the nation's states. The national median monthly grant is \$366, representing a loss in purchasing price of 42 percent since 1970. Free to set their own assistance levels for the AFDC program, states have been unable or unwilling to provide an adequate level of support to their children. This fact argues for a national policy on children and families which recognizes that the country's next generation is as important to the common good as other segments for which national policies are established and maintained.

- ***The proposed block grants which would freeze the amount of federal assistance available to the states during times of economic downturn will put many children of unemployed parents at risk in the future.***

Michigan has one of the most--if not the most--cyclical economies in the nation; when the state is not producing and selling a large number of automobiles, the number of families needing public assistance increases proportionately--just as state revenues to fund programs decline.

The current federal block grant proposals would not allow the state to receive any additional federal assistance for families with an unemployed parent(s) during cyclical troughs, just when the need is greatest. The diminishing role that Unemployment Insurance Benefits play in the support of families with an unemployed parent aggravates these cyclical crises. (Appendix A, Figures 1-6)

Given the fact that almost 180,000 more of the state's people slipped into poverty in 1993 for a poverty rate of over 14 percent *in the middle of an economic recovery*, support for a federally capped amount to help the state's needy citizens would seem extremely ill-advised. (Appendix B, Figure 7). In terms of the tradeoff--receiving complete discretion regarding how the money is spent at the state level in exchange for a capped federal block

grant, it must be considered that no amount of discretion will be able to keep families from becoming homeless in a recession. Concrete resources will be needed.

These concrete resources will be almost impossible to acquire in the next cyclical recession in Michigan given the 1994 restructuring of the tax base and the constitutional limit on the amount of revenue the state can raise. Even assuming the political will to raise state revenues to care for needy children and families during a recession, the constitutional limit may not allow for such an increase.

■ ***There are several critical investments which must be made if Michigan's low and moderate-income families with children are to be self-sufficient now and in the future.***

These investments involve modifications to the state and nation's systems which have traditionally provided public support to advance the economic opportunities afforded the nation's citizens. This public support is provided on a continuum starting with K-12 education through post-secondary education and training. Corollary public systems which complement basic education and training efforts involve supportive services such as child and health care and income supports for the unemployed and underemployed. It is in this context that the League's proposals are made: many public systems which can provide economic opportunity are in place. What is needed is a commitment to modify them where necessary to provide maximum support to those families which are struggling to be economically self-sufficient and to raise their children with a standard of living which can facilitate their own future development and maximize their economic opportunities and contributions as adults and future parents.

- ♦ *The state's large human capital investment in institutions of higher education (almost one in four of Michigan's social welfare dollars) must be enlisted in a major effort to both assess the training and retraining needs of the state's unemployed and underemployed and collaborate in programs which can begin to address these needs. Particular attention must be paid to the needs of non-college bound youth.*
- ♦ *The state and nation's job development efforts in the private sector must be redoubled, with two strong emphases: first, they must focus on employment opportunities which provide a family-supporting wage now or in the foreseeable future and second, they must be geographically situated where the greatest need for economic opportunity exists. A public sector role as employer of last resort should not be ruled out as an entity which can create jobs that provide a reasonable wage.*
- ♦ *Investments in public transportation systems which can link job seekers with employment opportunities must be undertaken, and structured to also provide service to those who are engaged in shift work and other abnormal work schedules.*
- ♦ *New commitment and a major investment needs to be made in programs and systems of care for the children of parents involved in training and employment, including affordable quality care for infants and preschoolers, after school or latchkey programs, and those which involve teenagers in their leisure time. (See Appendix C for the affordability of current care in Michigan's counties.)*
- ♦ *Health care reform which provides universal access to care of reasonable quality at an affordable price must be aggressively--if incrementally--pursued lest any efficiencies gained in other social welfare programs be immediately consumed by the unsustainable cost escalation in the current health care system.*

- ***It cannot be assumed that the private emergency services network in Michigan can respond to additional unmet needs of citizens who cannot get their basic needs met through employment, the extended family, or underfunded or nonexistent public programs.***

The League has been monitoring this sector since the promulgation of federal block grants to the states in the early 1980s with funding cuts of up to 25 percent. Just as in the nation as a whole, the state's private giving can not fill the gap--particularly in times of recession when the need is greatest. Over the last 13 years, the state's strained private social services system has had to cope with the first underfunded round of federal block grants, a major extended recession, the elimination of all support to 83,000 unemployed individuals and childless couples, the withdrawal of housing supplements to 32,000 AFDC homeowners, and the severe curtailment of publicly supported emergency services. It cannot sustain the further erosion of public benefits which capped block grants would precipitate during the next cyclical recession. (See Appendix D)

- ***The problem of young women in their teens having babies and creating very fragile family units is a large and significant problem, and needs to be addressed on many fronts.***

In Michigan, the number of teen mothers under 18 who move out and live on their own supported by an AFDC grant is very small--averaging no more than 1,300 to 1,500 a month over the last five years, or less than one percent of all AFDC families. Why this phenomenon of increasing births to teens is occurring in our society at large, and how to address this very real crisis, cannot therefore be reasonably resolved within the welfare system.

- ***In the view of many child advocates, the AFDC system has not failed and it is an incorrect assumption that all persons--regardless of their philosophical position on assistance programs--support wholesale "reforms."***

Family advocates would maintain that the program did not fail the mother who came on the rolls at the time of the death, divorce or desertion of her child's father, stayed a couple of years while she got her life straightened around and a foothold in the labor market, and moved off permanently--her child was protected from destitution by the program. Such success stories abound in Michigan. Indeed, the social services department has recognized one such woman each month--an AFDC recipient who has gotten her life together, usually by participating in a higher education course of studies which led to a family supporting job.

Unfortunately, the program has not served all families this well, but most observers would maintain that the reason is directly related to the marginalization of the family caused by their extreme poverty. Consistently depressed AFDC grants deny the family the transportation, child care, clothing, newspaper subscription and telephone that the parent needs for effective job search, training and employment activities. Many observers believe--as did two major Study Commissions on Welfare Reform in Michigan find--that this debilitating marginalization flows from the family's bare subsistence income rather than flaws in the basic design of the AFDC program as is maintained by most of the advocates for wholesale changes in the program.

- ***Rational reforms can only occur in the context of a serious discussion of the needs of the children the system is intended to protect.***

Finally, who is talking about the children? It appears that virtually no policy discussions are being undertaken of the status of the nation's ten million children who are dependent on AFDC at any given point in time. How

old are they? What does their family structure look like? Where do they live? Most importantly, *how are they doing?*

In Michigan, available information provides a snapshot of the children in the AFDC system (Appendix E). Of every ten youngsters, half are five years of age or younger; another three are between six and twelve. Fewer than two are teenagers. Eight of ten live with their Mom; the other two live with both parents. These families have two children in them, but in about 40 percent of the "Mom only" families in the state, there is only one child.

Of every ten children in the AFDC program, five live in Southeast Michigan in Wayne, Oakland or Macomb County, one lives in a rural area, two live in a county with a small city, and the other two live in larger counties with a metropolitan area. Only one in ten children live in a unit where the family gets a subsidy to help with their housing costs.

Each child gets \$4.88 a day in cash assistance to cover all his shelter, utilities, clothing, transportation and other basic needs. He also gets \$2.30 a day in food stamps--77 cents a meal. He gets about \$460 in medical care a year if he sees a doctor. If he's the lucky one in four children whose absent parent provides child support to the state to offset what the state provides to his family, he gets an additional 56 cents a day in "support pass through." If his family situation deteriorates and he lands in foster care, his maintenance will cost \$45 a day--ten times the amount his mother gets to take care of him at home.

How are these children doing? *How well can any child do on total income of \$7.74 a day--particularly if he's a growing twelve year old?* His story and that of millions more like him ought to be fueling a national debate of how to reform the system to give him a fair chance to develop his potential, so that one day he can raise his own children in safety and dignity, and make his unique contribution to his community.

The Michigan League for Human Services thinks the state and nation can do better by its children, and must.

**Data on  
Unemployment and Public Program Participation**

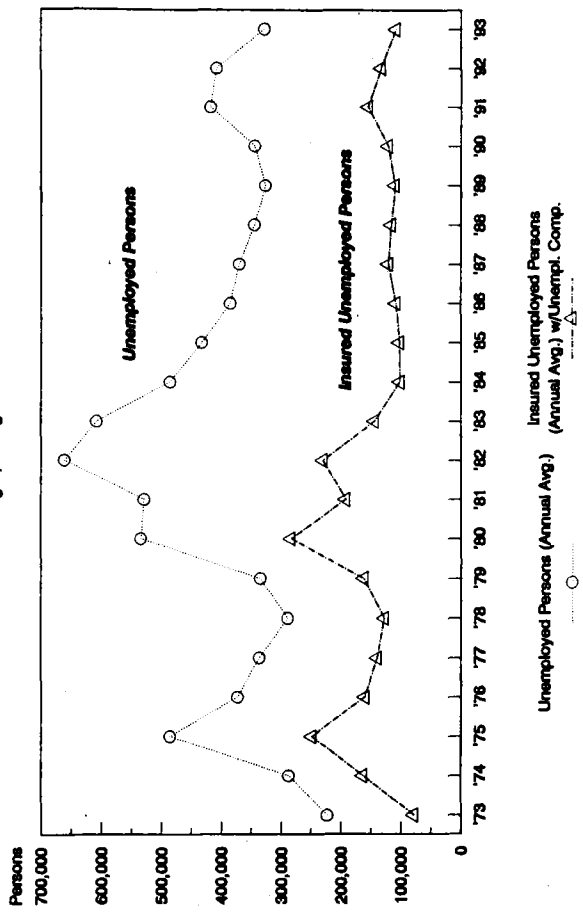
Implications of data:

- In Michigan's cyclical economy, wide fluctuations occur leaving thousands of persons vulnerable: If 1982 repeats, there will be 286,500 more unemployed persons than the average of 1990-1993--the base period which would determine the level of federal block grants to the state for assistance programs in one proposal.
- The unemployment compensation program provides a safety net for fewer workers, which fact provides increasing need for public assistance programs. (See Figures 5 and 6)
- If the economy of 1984 repeats, there will be a gap of 385,000 persons between the average number of unemployed and the average number drawing unemployment benefits. Many of such persons turn to assistance programs.
- During the 1980s, there was a 103% swing in the numbers of unemployed, and a 118% swing in the unemployment rate.
- Using the 10 year grant period between 1984 and 1994 as a reference, easily 15,000 families with 30,000 children would be at risk of limited or no assistance in an economic down-turn under the capped block grant proposals which use '90 - '93 as a base; if 1981 repeats, 23,000 families with 46,000 children would be at risk. With a food stamp block grant, 125,000 Michigan residents would be at risk of no nutritional assistance, in the kind of cyclical troughs the state experiences.



Figure 1

**Comparison of all Unemployed Persons and  
the Unemployed Covered by Unemployment Insurance**  
Annual Averages, Michigan 1973-1993



Calculations by the Michigan League for Human Services.

Source: See Table 1.

Table 1

## SCOPE OF UNEMPLOYMENT COMPENSATION COVERAGE:

A Comparison of Total Unemployed Persons  
to Unemployed Persons Insured for Unemployment Benefits

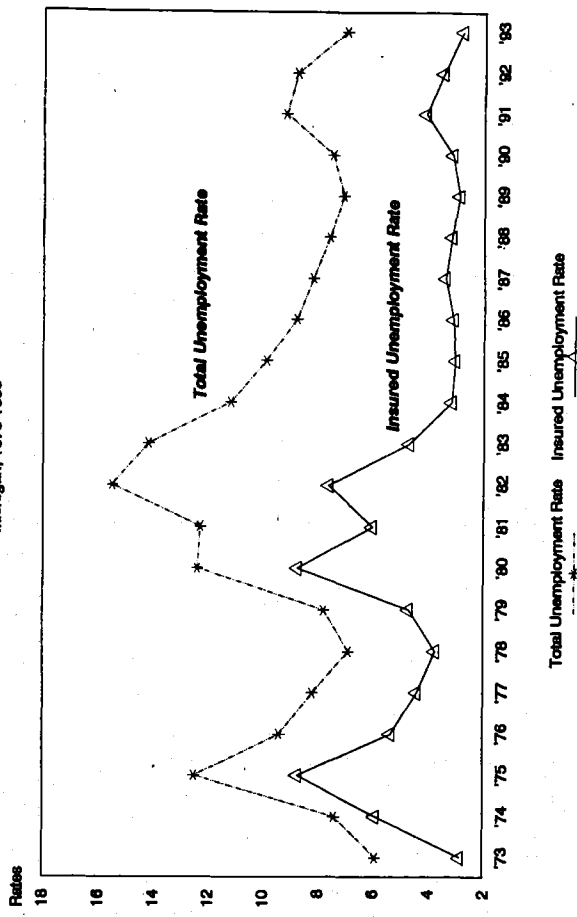
## Annual Averages

<u>Year</u>	<u>Total Unemployed Persons</u>	<u>Insured Unemployed Persons</u>	<u>Ratio of Insured to Total Unemployed</u>
1973	223,000	78,834	35.3%
1974	287,000	162,949	56.8
1975	486,000	248,663	57.2
1976	373,000	160,207	42.9
1977	336,000	139,336	41.5
1978	289,000	127,673	44.2
1979	335,000	162,071	48.4
1980	534,000	283,091	53.0
1981	529,000	191,897	36.3
1982	661,000	229,703	34.7
1983	608,000	143,909	23.7
1984	486,000	101,752	20.9
1985	433,000	102,982	23.8
1986	385,000	108,267	28.1
1987	370,000	121,011	32.7
1988	345,000	116,044	33.6
1989	326,000	109,434	33.6
1990	344,000	121,120	35.2
1991	418,000	154,886	37.0
1992	408,000	133,187	32.6
1993	328,000	108,445	33.1

Sources: MESC, *Michigan Unemployment Insurance Program Statistics*, Table F-1, "Average Weekly Insured Unemployment", 1956-1993; and MESC 3221, "Civilian Labor Force, Employment and Unemployment Estimates" 1973-1993.  
Calculations by the Michigan League for Human Services.

Figure 2

Comparison of Total and Insured Unemployment Rates  
Michigan, 1973-1993



Source: See Table 2.

Table 2

**SCOPE OF UNEMPLOYMENT COMPENSATION COVERAGE:****A Comparison of Insured Unemployment Rates to Total Unemployment Rates**

<u>Year</u>	<u>Total Unemployment Rates</u>	<u>Insured Unemployment Rates</u>	<u>Ratio of Insured Rate to Total Unemployment Rate</u>
1973	5.9%	2.84%	48.1%
1974	7.4	5.92	80.0
1975	12.5	8.74	69.9
1976	9.4	5.34	56.8
1977	8.2	4.41	53.8
1978	6.9	3.75	54.3
1979	7.8	4.70	60.3
1980	12.4	8.76	70.6
1981	12.3	6.18	49.1
1982	15.5	7.63	49.2
1983	14.2	4.72	33.2
1984	11.2	3.18	28.4
1985	9.9	3.05	30.8
1986	8.8	3.12	35.5
1987	8.2	3.41	41.6
1988	7.6	3.18	41.8
1989	7.1	2.99	42.3
1990	7.5	3.16	42.3
1991	9.2	4.13	44.9
1992	8.8	3.51	39.9
1993	7.0*	2.81	40.1

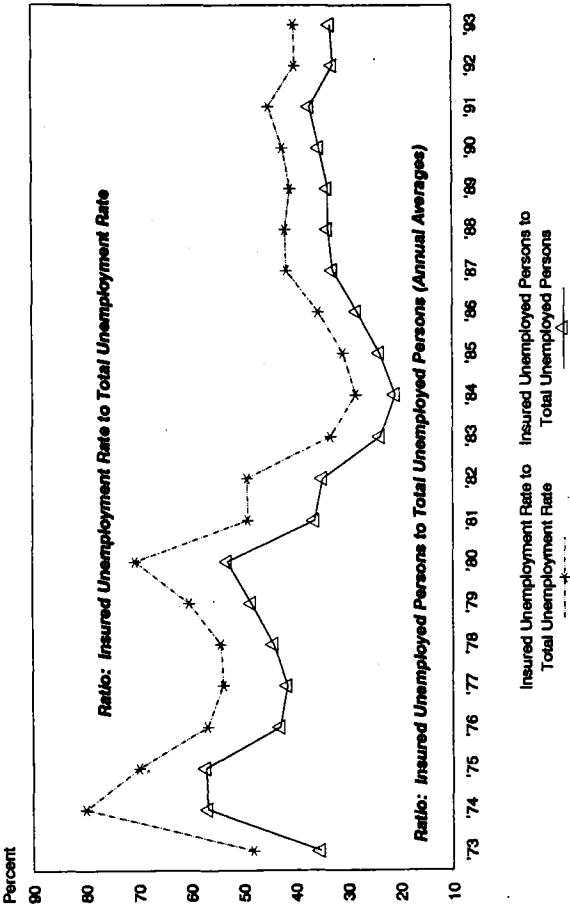
\* Michigan's unemployment rate fell to 6.1 in 1994.

Sources: MESC *Michigan Unemployment Insurance Program Statistics*, Table F-3, "Comparison of Total and Insured Unemployment Rates," 1956-1983.

22table2.gd

Figure 3

**Ratios: Scope of Unemployment  
Compensation Coverage**  
Michigan, 1973-1993

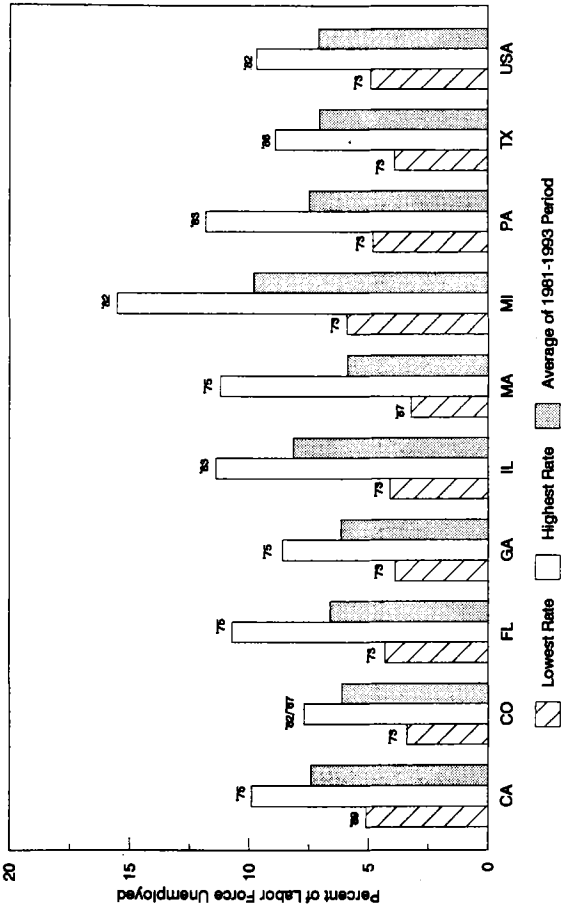


Calculations by the Michigan League for Human Services.

Source: See Tables 1 and 2.

Figure 4

Fluctuations in Unemployment Rates  
Selected States, 1973-1993



Calculations by the Michigan League for Human Services.  
Source: See Table 3.

Table 3

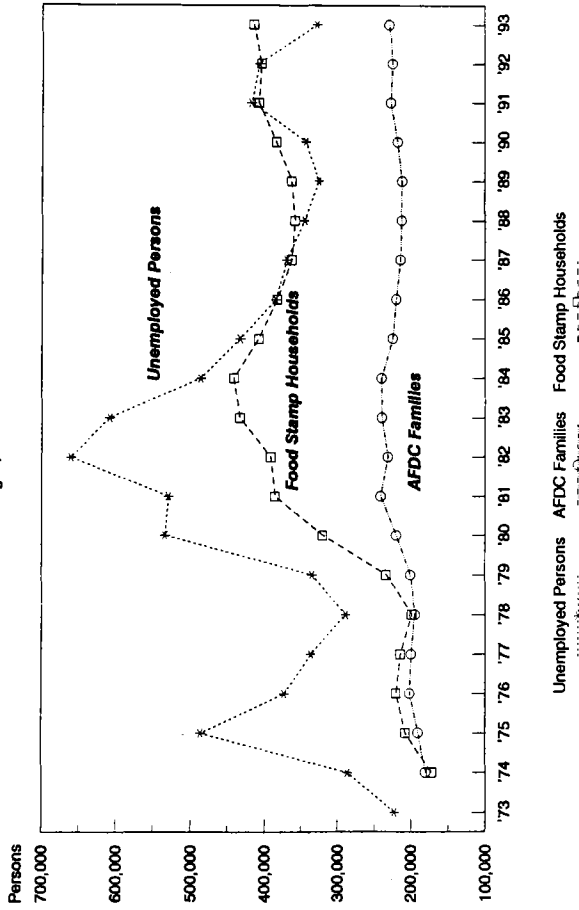
Unemployment Rates, Selected States 1973-1993										
Year	CA	CO	FL	GA	IL	MA	MI	PA	TX	USA
1973	7.0%	3.4%	4.3%	3.9%	4.1%	6.7%	5.9%	4.8%	3.9%	4.9%
1974	7.3	4.0	6.2	5.2	4.5	7.2	7.4	5.1	4.3	5.6
1975	9.9	6.9	10.7	8.6	7.1	11.2	12.5	8.3	5.6	8.5
1976	9.2	5.9	9.0	8.1	6.5	9.5	9.4	7.9	5.7	7.7
1977	8.2	6.2	8.2	6.9	6.2	8.1	8.2	7.7	5.3	7.1
1978	7.1	5.5	6.6	5.7	6.1	6.1	6.9	6.9	4.8	6.1
1979	6.2	4.8	6.0	5.1	5.5	5.5	7.8	6.9	4.2	5.8
1980	6.8	5.9	5.9	6.4	8.3	5.6	12.4	7.8	5.2	7.1
1981	7.4	5.5	6.8	6.4	8.5	8.4	12.3	8.4	5.3	7.6
1982	9.9	7.7	8.2	7.8	11.3	7.9	15.5	10.9	6.9	9.7
1983	9.7	6.6	8.6	7.5	11.4	6.9	14.2	11.8	8.0	9.6
1984	7.8	5.6	6.3	6.0	9.1	4.8	11.2	9.1	5.9	7.5
1985	7.2	5.9	6.0	6.5	9.0	3.9	9.9	8.0	7.0	7.2
1986	6.7	7.4	5.7	5.9	8.1	3.8	8.8	6.8	8.9	7.0
1987	5.8	7.7	5.3	5.5	7.4	3.2	8.2	5.7	8.4	6.2
1988	5.3	6.4	5.0	5.8	6.8	3.3	7.6	5.1	7.3	5.5
1989	5.1	5.8	5.6	5.5	6.0	4.0	7.1	4.5	6.7	5.3
1990	5.6	4.9	5.9	5.4	6.2	6.0	7.5	5.4	6.2	5.5
1991	7.5	5.0	7.3	5.0	7.1	9.0	9.2	6.9	6.6	6.7
1992	9.1	5.9	8.2	6.9	7.5	8.5	8.8	7.5	7.5	7.4
1993	9.2	5.2	7.0	5.8	7.4	6.9	7.0	7.0	7.0	7.0
Lowest Rate	5.1	3.4	4.3	3.9	4.1	3.2	5.9	4.8	3.9	4.9
Highest Rate	9.9	7.7	10.7	8.6	11.4	11.2	15.5	11.8	8.9	9.7
Avg. 1981-1993	7.41	6.12	6.61	6.15	8.14	5.89	9.79	7.47	7.05	7.09

Note: Michigan's unemployment rate fell to 6.1 percent in 1994.

Source: U.S. Employment and Training Administration, *Employment and Training Report of the Secretary*, annual and *Manpower Report of the President*, annual; U.S. Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment*, annual.

Figure 5

**Relationship Between Unemployment and  
Assistance Program Participation**  
Michigan, 1973-1993



Note: AFDC family participation would have been reduced in 1993, reflecting the lower unemployment rates, but for the shift of 4,700 two parent families from the former General Assistance Program (State Family Assistance) onto AFDC with the granting of a federal waiver relating the workforce certification requirements.

Source: See Tables 1, 4 and 5.



Table 4

## MICHIGAN AID TO FAMILIES WITH DEPENDENT CHILDREN

Participation Summary  
Fiscal Years 1973-1993

<u>Year</u>	<u>AFDC Families (Regular)</u>	<u>AFDC - UP Families (Unemployed Parent)</u>	<u>Total Families</u>
1973	-----	-----	169,356
1974	-----	-----	180,473
1975	179,491	10,918	190,409
1976	185,724	15,952	201,676
1977	183,301	16,328	199,629
1978	181,009	13,691	194,699
1979	186,727	13,370	200,097
1980	198,111	21,703	219,814
1981	203,934	37,223	241,157
1982	190,937	40,706	231,643
1983	193,426	46,422	239,848
1984	195,901	44,165	240,066
1985	190,030	34,961	224,991
1986	188,793	31,257	220,050
1987	186,211	28,004	214,215
1988	186,673	26,276	212,949
1989	187,504	24,208	211,712
1990	193,516	24,433	217,949
1991	200,893	26,522	227,415
1992	199,140	26,219	225,359
1993	197,796	31,553	229,349*

\* In 1994, 223,658 families participated

Source: Michigan Department of Social Services *Program Statistics*, Fiscal Years 1973-1993, DSS Publication 170; data reflect the monthly average number of participant families for the year indicated.

Table 5

## MICHIGAN FOOD STAMP PROGRAM

Participation Summary  
Fiscal Years 1974-1993

<u>Year</u>	<u>Households Receiving Food Stamps and Cash Assistance</u>	<u>Households Receiving Food Stamps Only</u>	<u>Total Participating Households</u>
1974	136,376	36,285	172,661
1975	142,454	65,208	207,662
1976	158,426	61,816	220,242
1977	155,122	59,293	214,415
1978	142,713	56,136	198,849
1979	163,509	70,035	233,544
1980	217,214	102,954	320,168
1981	227,070	108,583	385,653
1982	278,355	113,342	391,697
1983	310,297	123,325	433,622
1984	328,837	112,548	441,385
1985	303,769	104,307	408,076
1986	285,338	97,792	383,130
1987	267,900	95,307	363,207
1988	263,022	95,923	358,945
1989	266,123	97,311	363,434
1990	288,165	96,228	384,393
1991	301,800	106,300	408,100
1992	229,912	175,396	405,308
1993	218,891	195,989	414,879*

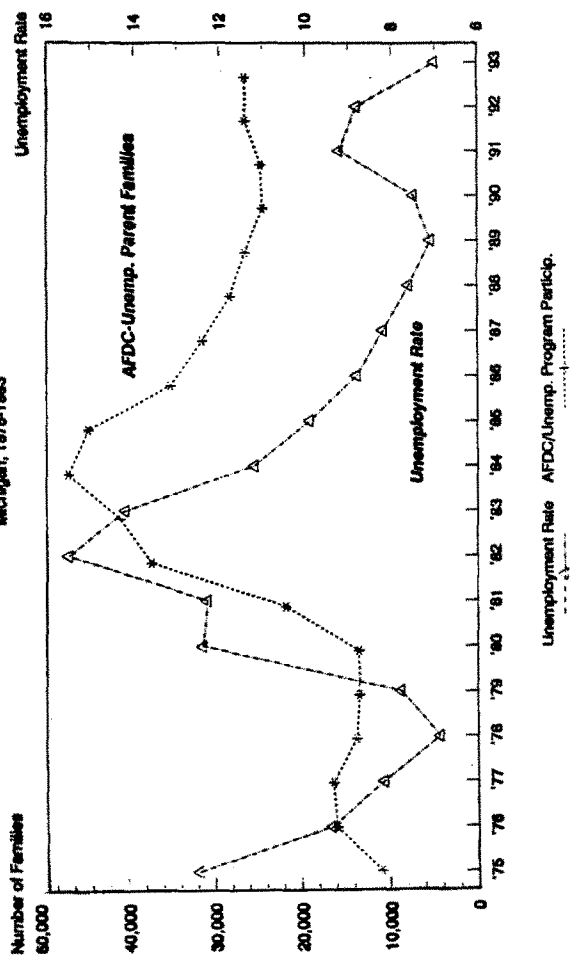
\* In 1994, 418,744 households participated.

Source: Michigan Department of Social Services *Program Statistics*, Fiscal Years 1975-1993, DSS Publication 170; data reflect the monthly average number of participant households in the year indicated.

Figure 6

Relationship Between the Unemployment Rate and  
AFDC-Unemployed Parent Program Participation

Michigan, 1975-1993



Note: AFDC family participation would have been reduced in 1993, reflecting the lower unemployment rate, but for the shift of 4,700 low parent families from the former General Assistance program (State Family Assistance) onto AFDC with the granting of a federal waiver relaxing the workfare requirement.

Source: See Tables 2 and 4.

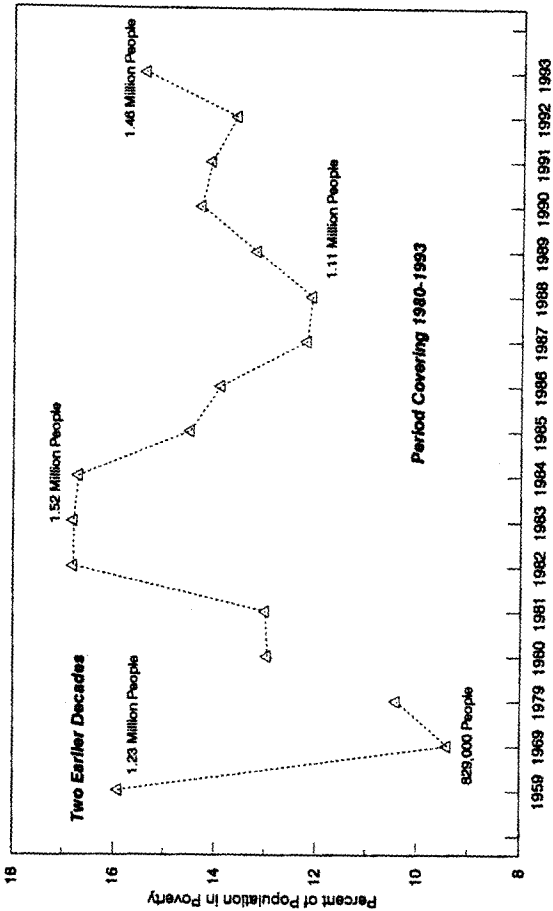
**Data on  
Poverty in Michigan**

Implications of data:

- While poverty was not measured at any point during the 1960s, which makes it impossible to know exactly when the 1959 rate began to go down, the substantially reduced rate by 1969 would suggest that the poverty programs introduced in the 1960s may have had a substantial impact on poverty in Michigan in the early years.
- The best poverty rate of the 1980s (12.1% in 1987) was substantially more than that in 1970--fully 28 percent higher; this fact would support the recent University of Michigan report and analysis that only high tech/high wage jobs and low wage service jobs are being created in Michigan--with few jobs being developed which can support a middle class standard of living.

Figure 7

Poverty Rates in Michigan  
Selected Years, 1959-1993



\*In 1980, children made up 37 percent of all poor people in Michigan, while representing only 27 percent of the population; children have the highest poverty rate of any age group in Michigan—18.8 percent (average of 1987-1991)

Calculations by the Michigan League for Human Services.

Source: See Table 6.

Table 6

## POVERTY IN MICHIGAN:

Rate and Persons Living Below the Poverty Line  
Selected Years, 1959-1993*Two Earlier Decades*

<u>Year</u>	<u>Total Population</u>	<u>Poverty Rate</u>	<u>Persons Living Below the Poverty Line</u>
1959	7,767,000	15.9%	1,234,953
1969	8,820,000	9.4	829,080
1979	9,266,000	10.4	963,664

*1980-1993 Period*

<u>Year</u>	<u>Total Population</u>	<u>Poverty Rate</u>	<u>Persons Living Below the Poverty Line</u>
1980	9,262,078	12.9%	1,194,808
1981	9,210,520	13.0	1,197,368
1982	9,118,643	16.2	1,477,220
1983	9,055,765	16.8	1,521,368
1984	9,062,023	16.7	1,513,358
1985	9,088,326	14.5	1,317,807
1986	9,136,600	13.9	1,269,987
1987	9,199,600	12.1	1,122,351
1988	9,239,800	12.2	1,118,016
1989	9,273,000	13.2	1,224,036
1990	9,295,297	14.3	1,329,228*
1991	9,368,000	14.1	1,320,888
1992	9,433,677	13.6	1,282,980
1993	9,485,000	15.4	1,460,690

\*In 1990, children made up 37% of all poor people in Michigan, while representing only 27% of the population; children have the highest poverty rate of any age group in Michigan--19.8% (average of 1987-1991).

Sources: *Statistical Abstract of the United States* 1979, Table 164, U.S. Bureau of the Census and Survey of Income and Education; *Poverty in the U.S., 1991*, U.S. Bureau of the Census, Series P-60, No. 181; U.S. Census report, 10-6-94; Michigan Information Center, Department of Management and Budget; child poverty rate reflects a Population Reference Bureau analysis of data from the Bureau of the Census, Current Population Survey (March supplement, 1984 through 1992, for the National *KIDS COUNT* project).

Calculations by the Michigan League for Human Services.

**AVERAGE CHILD CARE COSTS AS A  
PERCENTAGE OF INCOME**

	Average Annual Child Care Costs (1 Child Full-time)*	Mean Family Income (Married Couple Families)**	Mean Family Income (Female Headed-Single Parent Families)**	Child Care Costs as Percentage of Mean Family Income (Married Couple Families)		Child Care Costs as Percentage of Mean Family Income (Female Headed- Single Parent Families)	
				Percent	Rank***	Percent	Rank***
MICHIGAN	\$4,423	\$49,958	\$15,419	8.9%	—	28.7%	—
Alcona	3,665	28,563	11,989	10.7	22	25.6	59
Alger	N/A†	32,426	13,143	—	—	—	—
Allegan	4,399	44,151	17,310	10.0	39	25.4	62
Alpena	3,838	37,402	11,764	10.3	34	32.6	19
Arenac	N/A	33,425	14,856	—	—	—	—
Arenac	4,399	32,635	10,284	13.5	4	42.8	4
Baraga	4,095	32,679	12,230	12.5	8	33.5	16
Barry	4,025	42,496	13,775	9.5	50	29.2	40
Bay	5,265	43,373	12,686	12.1	11	41.5	6
Benzie	3,721	32,694	12,368	11.4	18	30.1	34
Berrien	3,674	43,185	12,500	8.5	66	29.4	39
Branch	3,557	37,249	13,974	9.5	50	25.5	60
Calhoun	3,884	43,530	14,161	8.9	59	27.4	51
Cass	3,533	39,007	14,697	9.1	56	24.0	68
Charlevoix	4,282	40,629	14,648	10.5	28	29.2	40
Cheboygan	3,721	32,378	11,421	11.5	17	32.6	19
Chippewa	3,908	35,494	13,549	11.0	20	28.8	43
Clare	3,955	31,590	9,807	12.5	8	40.3	7
Clinton	3,978	47,718	19,594	8.3	70	20.3	74
Crawford	3,908	33,696	13,523	11.6	14	28.9	42
Dakota	4,083	36,915	13,089	11.6	14	39.0	9
Dickinson	4,306	41,337	13,750	10.4	31	31.3	26
Easton	4,212	47,894	19,589	8.8	60	21.5	72
Emmet	3,650	42,158	17,146	8.7	62	21.3	73
Genesee	4,048	49,308	14,073	9.2	71	28.8	43
Gladwin	4,329	30,434	9,771	14.2	2	44.3	1
Gogebic	3,487	34,208	11,282	10.2	36	30.9	28
Grand Traverse	4,142	45,459	17,062	9.1	56	24.3	66
Ingham	3,931	37,799	13,195	10.4	31	29.8	37
Hilledale	3,627	39,396	13,834	9.2	54	26.2	56
Houghton	4,259	32,972	11,837	12.9	6	36.0	11
Huron	3,516	35,526	10,996	9.9	41	32.0	24
Ionia	3,733	39,090	10,338	10.3	34	25.9	57
Ionia	3,861	40,421	14,678	9.6	49	26.3	55
Iosco	3,955	30,280	12,414	13.1	5	31.9	25
Iron	3,510	30,153	10,345	11.6	14	33.9	14
Ishpeming	3,884	37,765	12,810	10.3	34	30.3	32
Jackson	3,510	44,878	14,198	7.8	74	24.7	63
Kalamazoo	4,493	52,415	15,704	8.6	64	28.6	45
Kalamazoo	3,884	32,488	11,920	12.0	12	32.6	19
Kalamazoo	4,423	50,325	16,183	8.8	60	27.5	52
Keweenaw	N/A	35,714	12,198	—	—	—	—
Lake	2,925	26,108	8,521	11.2	19	34.3	13
Lapeer	4,259	46,150	15,198	9.2	54	28.0	49
Leelanau	3,585	42,845	16,050	10.7	22	28.6	45

† Insufficient survey data on costs.

	Average Annual Child Care Costs (1 Child Full-time)*	Mean Family Income (Married Couple Families)**	Mean Family Income (Female Headed-Single Parent Families)**	Child Care Costs as Percentage of Mean Family Income (Married Couple Families)	Rank***	Child Care Costs as Percentage of Mean Family Income (Female Headed- Single Parent Families)	Rank***
				Percent		Percent	
Lenawee	\$3,697	\$45,278	\$15,771	8.2%	71	23.4%	70
Livingston	5,429	59,739	20,252	9.1	56	26.8	53
Luce	N/A	30,155	11,776	—	—	—	—
Mackinac	4,680	30,612	11,025	15.3	1	42.4	5
Macomb	5,535	53,532	20,896	10.0	39	25.5	60
Manistee	4,235	32,735	9,562	12.9	6	44.3	1
Marquette	4,469	37,991	14,574	11.8	13	30.7	30
Mason	3,697	38,024	11,416	9.7	47	32.4	22
Mecklenburg	3,814	36,442	11,793	10.5	28	32.3	23
Menominee	3,346	36,035	13,621	9.3	52	24.6	64
Midland	5,078	49,971	14,591	10.2	36	34.8	12
Missaukee	N/A	31,299	10,997	—	—	—	—
Monroe	4,095	48,835	15,836	8.4	68	25.9	57
Montcalm	3,838	35,995	13,880	10.7	22	27.7	50
Montmorency	N/A	30,622	12,235	—	—	—	—
Muskegon	4,001	40,981	12,104	9.8	43	33.1	17
Newaygo	N/A	35,349	12,547	—	—	—	—
Oakland	5,499	68,895	22,743	8.0	73	24.2	67
Oceana	3,697	33,585	10,915	11.0	20	33.9	14
Ogemaw	3,276	32,333	10,937	10.1	38	30.0	35
Ontonagon	N/A	35,241	11,896	—	—	—	—
Osceola	3,463	33,086	11,463	10.5	28	30.2	33
Oscoda	4,095	28,972	9,239	14.1	3	44.3	1
Otsego	4,118	38,944	17,465	10.6	26	23.6	69
Ottawa	4,282	49,352	18,545	8.7	62	23.1	71
Presque Isle	3,510	33,134	11,393	10.6	26	30.8	29
Roscommon	N/A	32,958	10,326	—	—	—	—
Saginaw	4,750	45,574	12,051	10.4	31	39.4	8
St. Clair	4,376	44,476	14,244	9.8	43	30.7	30
St. Joseph	3,416	40,522	13,893	8.4	68	24.6	64
Sanilac	3,791	35,453	12,857	10.7	22	29.5	38
Schoolcraft	4,095	32,695	11,245	12.5	8	36.4	10
Shiawassee	3,604	41,931	13,536	8.6	64	26.6	54
Tuscola	3,908	39,420	12,582	9.9	41	31.1	27
Van Buren	3,744	38,363	13,244	9.8	43	28.3	48
Washtenaw	5,873	60,057	20,677	9.8	43	28.4	47
Wayne	4,750	51,123	14,427	9.3	52	32.9	18
Wexford	3,580	36,822	11,935	9.7	47	30.0	35

\* Based on 1992 survey of family day care homes and child care centers by the Michigan Community Coordinated Child Care Association, Lansing, Michigan.

\*\* 1990 Census data, based on income reported in 1989.

\*\*\* 1 = highest percentage; 74 = lowest. Ties are included.

Reprinted from *Child Care and Early Childhood Education*, A KIDS COUNT Report of Findings in Michigan, September 1993, Lansing, Michigan.



**SUMMARY OF FINDINGS  
FROM EARLIER STUDIES OF  
PRIVATE HUMAN SERVICES AGENCIES**

*The following excerpts are taken from the "Agency Survey on Economic and Social Distress in Michigan, Phase II," Michigan League for Human Services and the Cooperative Research Program on Economic & Social Distress, March 15, 1984, a project undertaken to examine the effects of a prolonged recession and the introduction of federal block grants for health and social welfare programs at 25 percent funding reductions.*

A large number of nonprofit agencies in Michigan continue to be caught in a serious dilemma between greatly increased demand for assistance from needier clients at a time when agency funding has been reduced or limited.

- ▶ One-half to two-thirds of the agencies have seen their financial resources eroded during the last few years by inflation and funding cutbacks.
- ▶ Only half of the agencies received sufficient funding to maintain their services and cover their expenditures, a problem which forced many to draw on any available reserves and to step up their fund raising efforts.
- ▶ Although financial support from private sources was significant, reliance on government funding was even more widespread--almost two-thirds of the agencies received at least some government support. On average, 50 percent of their budgets came from local, state, or federal government sources. One-third to one-half of the agencies suffered reductions in their funding levels from the public sector.
- ▶ At the same time, over half of the agencies experienced substantial increases in the number of economically vulnerable clients and individuals with other special needs turning to them for assistance.
- ▶ The shift in clientele has been accompanied by changes in the needs and service demands on private, nonprofit agencies. Two-thirds of the agencies in virtually every service category experienced an increase in demand. Requests for assistance with basic human needs (food, shelter, heat) at least doubled for two-thirds of the agencies providing such services. The biggest unmet needs confronting clients were for heat/utility assistance, housing services/weatherization, and employment/training services. Two-thirds of the agencies were unable to adequately respond to the service demand.
- ▶ The sharp rise in demand coupled with dwindling government support, especially at the state level, frequently led to restrictions in the number of clients served, reductions in the amount of services per case, decreases in staffing, and the elimination of certain programs. The changes were felt the most by children and youth and low-income clients of the agencies affected.

Reprinted from the *Final Report: The Impact on Individuals and Communities of the Reductions in Social Services in Michigan in 1991 - 1992*, May 10, 1993, pp. 51-53.  
Michigan League for Human Services, Lansing, MI

- The "dollar squeeze" on private human service providers prompted a wide range of additional coping strategies which included pursuing other funding sources, reassessment of organizational and program priorities, and efforts to increase efficiency and productivity.

*The summary that follows is reprinted from the League's 1991 report, "More Water in the Soup: A Status Report of Private Emergency Service Providers in Michigan."*

#### **The Respondent Providers**

Experienced in service provision, over half of the providers have been around for more than fifteen years and provide multiple services, having grown with the expanding needs of their communities. In the respondent group, there was a large dependence on private funding sources, particularly for the one-third of providers directly affiliated with a religious organization. The majority also depend on the federal government for a portion of their funding, with providers of emergency shelter particularly dependent on this source. The Red Cross has apparently evolved into more than a provider of traditional disaster relief; chapters have become ongoing providers of routine emergency services as well. For a large number of other respondents, including the Salvation Army, emergency service provision has evolved into ongoing basic need supplementation for their clients rather than periodic assistance to help handle a non-recurring emergency need. Over half of the respondents reported having no larger affiliation, suggesting a truly private provision of services.

#### **The Service Population**

Clients of the respondent providers are diverse in age, with nearly a quarter under the age of twenty. They also appear to be in compromised health; only a third are distinguished by providers to be in good health, with a sixth reported as having a disability. Almost 30 percent are employed and an estimated majority receive some type of help from government-sponsored assistance programs, suggesting serious problems in the adequacy of the clients' income, whether drawn from the labor force or the public assistance system.

#### **The Scope of the Need**

Over 97,600 people, including 22,500 persons under 20 years old, are served in an average week by the survey respondents, who represent an estimated 18 percent of all private emergency service providers in Michigan. Using this premise, it is entirely possible that 542,000 people request some type of assistance from private emergency service providers in Michigan each week, including nearly 125,000 children. Even assuming a degree of duplication—that some individuals or families may receive several services in a single week, and the caseloads reported by the respondents therefore reflect the number of requests to which they respond each week and not an unduplicated count of people—the need is extensive and almost overwhelming these private organizations.

The requests of the private system are *in addition* to the 9,900 people served in an average week directly through the public emergency services system. Since it is estimated by the respondent providers that public sources represent, on average, 39 percent of their funding, public funds are supporting somewhat less than half of the privately delivered services in the state each week. Significantly, private providers report that they are experiencing increases in requests for first-time assistance, as well as for repeat assistance, and many have been forced to impose restrictions on how often needy people can be served.

### **The Current Service Limitations**

Eight in ten respondent providers have needed to limit the services they provide at some point, with nearly a third forced to limit services routinely or frequently. Of those providers that do limit services, most (72%) either serve fewer people or reduce the amount of services available to each client. The remainder either shorten hours to allow for fewer requests, cut down on staff time for responding to requests, or change agency policies to restrict eligibility to fewer people in need. Seven in ten respondents are forced to turn people away. Those reporting that they are unable to serve all those in need indicated that they turn away between 1 and 500 persons per month, depending on the size of the agency and the scope of its services. Over 40 percent of those denied services are turned away because the agency or congregation has reached its capacity and cannot offer more assistance.

### **Urban and Rural Differences**

Due to the significant variance in economic base throughout the state, and the access problems inherent in one setting or the other, private emergency service provision varies in a number of ways dependent upon whether the location is urban or rural. Rural respondents report providing more shelter and utility services, while urban providers report food assistance as their most frequently provided service. More clients in rural areas are estimated to be employed, and even though they appear to be older, they are in better health on average than their urban counterparts. Although providers throughout the state are forced to limit services, those in rural areas must do it more often. Rural respondents are also more dependent on public funding and will, therefore, be harder hit as it continues to decline; thus, less than ten percent of the rural providers feel they have the ability to respond to additional needs, compared to a more optimistic thirty percent of urban respondents.

### **Trends and Future Projections**

The trend for the respondent providers has been an overwhelming increase in requests for all types of emergency assistance, coupled with decreases in funding from all sources public and private. An attitude of pessimism exists regarding the availability of additional financial support to meet the growing community need. Most providers report that their communities are willing to assist in efforts to address additional demand but are simply unable to do so.

# Issue Analysis

October 10, 1994

## Update: 1994 Status Report of Private Emergency Services Providers in Michigan

The Michigan League for Human Services periodically surveys private emergency services providers to assess service trends and potential problem areas, and to collect information that will focus the League's activities as an advocate for this population of providers and the persons who depend on them for their basic needs. The League completed five surveys of providers during the past decade. The first two, completed in 1983 and 1984, evaluated the impact of the state's deepest recession in over half a century and severe federal funding cuts to assistance programs in the states.

Seven years later, in 1991, findings from a third study were published in a monograph entitled, "More Water in the Soup: A Status Report of Private Emergency Service Providers in Michigan." The next year, while assessing the impact of severe programmatic cuts in Michigan, including the elimination of the General Assistance (GA) program and drastic changes limiting the scope of publicly funded emergency assistance, a survey of providers in the private sector was again undertaken. This fifth survey was completed in the Spring of 1994 and continued to focus on the changing role of private emergency service providers during an era of constricting government support for human services.

Random sampling was not possible for these studies because there is no comprehensive statewide list of private emergency service providers from which a sample can be drawn. For the 1994 survey, questionnaires were mailed to 660 private emergency services providers in Michigan using the same data base as was used in the League's 1991 and 1992 studies. Of these 660 providers, 145 returned usable questionnaires. Forty-six counties are represented in the returns, with large numbers from Wayne, Oakland, and Kent Counties. The contacts were made in the winter and early spring of 1994.

Over one-third of the respondent providers had been established since 1980, possibly reflecting the low number of survey respondents from religiously affiliated organizations compared to earlier surveys. Although the religious community has traditionally been a major provider of emergency services, only about a quarter of the 1994 survey respondents appeared to be affiliated with a religious organization (excluding the Salvation Army). Well over half of the respondents reported having no larger organizational affiliation.

A wide range of service provision exists among respondent organizations: from 1 or 2 people assisted each week by some rural providers to up to 5,000 per week in the largest agencies. Respondent providers around the state tend to be small; 50 percent serve 30 or fewer people each week and only 7 percent serve more than 500. Smaller agencies tend to be much more vulnerable to funding problems and other barriers to providing services.

Because respondents do not come from a randomly drawn sample of all of the state's private emergency service providers, results should not be generalized to all private providers in Michigan. Given this qualification, results do allow conclusions regarding the experience of different types of providers in their ongoing attempt to meet community needs.

### Michigan League for Human Services

300 North Washington Square • Suite 401, Lansing, Michigan 48933 • (517) 487-6436

## Findings

**1. Shelter related requests increased since 1992 as have those for specialized counseling services; requests for other services have remained stable.**

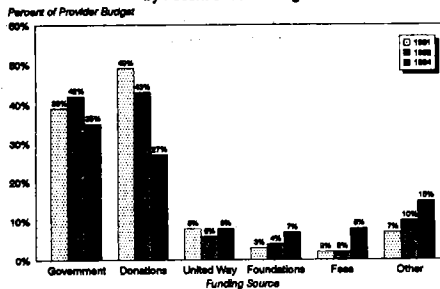
While many different services are provided by the respondent group of agencies, food boxes (66%), clothing (58%), shelter (52%), and assistance with heat and utilities (47%) are the most frequently mentioned services provided in 1994. The types of services requested have remained relatively stable over time, with the exception of a recent increase in shelter-related requests. Many agencies also provide specialized counseling services that go well beyond the traditional substance abuse, mental illness, or family counseling, such as counseling for the homeless and creation of age appropriate support groups. The respondents represent a wide variety of service capacity. Often due to the provision of emergency shelter, many of the agencies operate long hours—one-half are open longer than eight hours a day, and one-third serve people more than five days a week. Most of the agencies provide information and referral services, suggesting that many are in regular communication with other providers in their geographic area.

**2. Volunteers replaced paid staff in many emergency centers; staff cutbacks reflect the centers' strategies to cope with changing service needs and inadequate resources.**

There is a large utilization of volunteers by providers; over 80 percent of all persons working in the emergency centers are unpaid. The 145 respondents employ nearly 1,500 full-time and over 1,000 part-time employees. They also receive the help of over 11,200 volunteers. Increasing the overall number of staff and volunteers was necessary over the last few years to cover the higher number of hours open, as the resources with which to pay staff or cover additional expenses did not necessarily follow the increase in need. In one in five of the centers, paid staff positions had been recently replaced with volunteers.

Providers rely on a variety of funding sources, which appear to have shifted since the early 1990s. Respondents have reduced their reliance on government and private contributions; in the 1992 survey, 42 percent of respondents' funds came from government sources while 43 percent resulted from private donations. In 1994, these same providers reported shares of 35 percent and 27 percent, respectively. Reliance on foundations seems to have increased in the last few years, rising from 4.2 percent of agency budgets in 1992 to 7.2 percent in 1994. Reliance on foundations, however, is usually short lived since most do not fund the on-going provision of services. Other funding sources include the United Way and fees for service where appropriate.

**Trend In Funding Sources  
by Percent of Total Budget**



**3. *Shelters serve proportionately more young and elderly individuals; almost half of those seeking an emergency bed and meal are under 20 or over 60 years of age, 28 percent and 20 percent respectively.***

Age distribution differs for persons reliant on emergency shelter than for those receiving assistance from other types of emergency services; shelters report serving a greater number of the young and the elderly. Twenty-eight percent of those assisted by shelters are under the age of 20, compared to 23 percent in all emergency centers (consistent with that of previous surveys); more striking is the fact that one in five persons helped by shelter providers are over the age of 60, compared to only 13 percent in the general population of persons assisted.

**4. *Few people using emergency shelter services are reported to be in good health. One in four are reported to be disabled; over half have health problems, continuing earlier trends.***

Respondent providers report that over 60 percent of the persons they serve are either in moderate or poor health, or are disabled in some way; only 38 percent appear to be in good health. In shelters, only one in four are reported to be in good health, and nearly one-quarter are reported to be disabled (compared to 13.6% disabled in the general population of persons assisted).

**5. *The employment rate among persons needing help with meeting their basic needs remains stable at 30 percent, with a large share of such workers in part-time employment.***

One-third of their clients are estimated by providers to be working, with the majority of the employed estimated to be involved in part-time employment. Another third are reported to be actively seeking work. This one-third employment rate has remained relatively stable over time, with only a slight improvement over prior findings in the latest survey. This may be a result of the improved Michigan economy over the last year and the proliferation of part-time and temporary work. In addition to the constancy over time in the employment rate of emergency providers' clients, the fact that many workers need emergency services in spite of being employed also continues over time. What is noteworthy here is not the constancy in employment rates during the past two years, but that so many people who are working cannot meet their basic needs with their earnings.

**6. *People receiving public income support are a decreasing share of those being served by private emergency centers.***

Respondents reported that over 60 percent of the people they served were currently receiving public assistance--somewhat less than the 73 percent of clients in 1992. The lower figure may be due to several factors, including the increasing number of providers who limit services to only those persons who can verify that they have been refused assistance by the local Department of Social Services. Virtually all respondent providers indicated that former GA clients continue to ask for emergency help--a population no longer receiving public income support from the state.

**7. *First requests for services are up, particularly in some geographic areas; repeat requests have stabilized due to provider disallowance of second requests.***

Nearly 25,000 people are served each week by this group of 145 providers, with over 5,300 under the age of 20. Most respondents are experiencing an increase in the number of persons served, primarily as the result of an increase in first requests. The number of repeat requests has somewhat stabilized--a stabilization due in part to the policy of many providers (two-thirds) to disallow repeat

requests within a specified time period. A larger share of respondent providers based in Grand Rapids and Saginaw reported an increasing demand for services. Roughly one-fourth of all persons receiving services are in need of additional services from the same provider within a month, with the request either for the same service as provided before, or another service available from the emergency center.

For the fifty-nine providers completing both the 1991 and 1994 surveys, the average weekly number of people served fell from 327 to 274, with many factors contributing to the reduced number of people receiving help. Some centers established new eligibility criteria that exclude many people who would formerly have been served. Some eliminated the use of waiting lists. Others placed new restrictions on the services themselves; for example, they further limited the number of times assistance can be provided within a given time frame.

*8. Providers' major adjustment to cope with increased demand and diminishing resources has been to limit the level of services and the frequency of assistance, and to apply tighter eligibility criteria.*

Due primarily to limited resources, many centers are forced to routinely restrict services—one-quarter of the respondents routinely or frequently limited services in the six months prior to the survey, and two-thirds restricted repeat services. Sixty percent of the providers limit food assistance to once a month and 31 percent to once every four months. Help with rent or utilities, for those that restrict repeat visits, is generally limited to once a year for the majority of respondent providers.

Two of five respondents place restrictions on the populations eligible for help. In past surveys, the most frequently reported eligibility limitation was the strict focus of services on people whose particular needs matched an agency's service mission (for example, domestic violence). In 1994, many respondents also limit their services to those who can verify that they have been denied help elsewhere, or that they have not been sanctioned by the Department of Social Services. Providers report that they often refuse services to people who have not first applied for DSS or other state or federally funded programs. Respondents also use other private providers, such as the Red Cross or the Salvation Army, as eligibility screens in some communities.

## Conclusion

### Trends and Provider Projections

Most providers (roughly two-thirds) have increased their reliance on volunteers, and over one-fifth use volunteers for the functions formerly provided through paid employees. These staffing decisions could reflect funding availability and shifting resources. Respondent providers are relying much more heavily on "softer" funding sources, experiencing decreasing support from public sources and from private donors. These funding shortfalls have been offset to some degree by foundation funding and additional fees for services where applicable.

There is increasing demand for shelter-related services, including appliances, furniture, financial assistance to prevent evictions, foreclosures or utility shut-offs, emergency shelter, warming centers (daytime shelter), counseling for the homeless, and weatherization. Taken together, these requests seem to indicate broadly occurring destabilized housing situations. These services are expensive to provide and some, such as financial assistance or weatherization, often have strict eligibility requirements and are most likely to have waiting lists. Even given this increased demand for particular services, less than 15 percent of respondents reported adding new services in the past year to accommodate such specific requests.

Providers were fairly optimistic about the future, but cautioned that they will continue to limit the services available. While this was accomplished through tightening of eligibility factors in the past few years, that particular strategy was not mentioned for future problem-solving. The way respondents predicted they would make future adjustments was most often through limiting the level of a service provided (for example, fewer shelter nights available per month, or a lower cap on payments to help with rental assistance) and further restrictions of repeat assistance.

#### Environmental Factors

Many environmental factors serve to place people at risk of needing emergency assistance. Michigan's economic restructuring coupled with its cyclically dysfunctional economy has resulted in a substantial loss of well-paying jobs in the manufacturing industry; those opportunities have been replaced with employment in service or other low-wage industries. The value of the minimum wage is at its lowest since the 1960s and the costs of shelter consume an enormous share of many individual and family incomes. The percentage of households owning their own homes declined over the 1980s and on average, renters pay a substantially higher portion of their income on housing than owners. According to the 1990 Census, over 36 percent of all Michigan renters paid at least 35 percent of their income for housing costs. Based on the Fair Market Rent guidelines, families assisted by the Aid to Families with Dependent Children (AFDC) program are spending at least 70 percent of their cash assistance on housing.

State and federal responses to these problems continue to fall far short of the actual need. Outreach for the food stamp program is woefully lacking, and all cash assistance to non-disabled non-aged single persons and childless couples was eliminated with the abolishment of the General Assistance program. Low levels of support to families with children through the AFDC program and an increase in the number of working-poor families has resulted in periodic reliance on emergency assistance for these families' basic necessities.

In 1991, a series of changes and reductions occurred in Michigan's social services programs. Funding for the DSS fell by 15.6 percent from fiscal years 1991-1992, the largest single-year reduction in the department's history. The General Assistance (GA) and Job Start Programs were eliminated, and services formerly provided through the Emergency Needs and GA Medical Programs were sharply curtailed. Emergency assistance expenditures were reduced by 70 percent over that year and the much more limited state program to assist with crises, the State Emergency Relief program, helped only 15,170 families in 1992, down from 57,848 in 1991.

In November of 1991, following the termination of GA to 83,000 adults and the transformation of the Emergency Needs Program (ENP) into the much more limited State Emergency Relief program which together removed roughly \$290 million annually in state assistance to vulnerable populations, the state approached the Salvation Army to administer a coordinated statewide emergency shelter program. Since that time, the Salvation Army receives funding from the state and distributes it to participating shelter providers. This program's funding was intended to develop new shelter beds rather than to support existing services; centers participating in the program were required to guarantee shelter for anyone coming to them for help--essentially to institute a "no refusal" policy. The funding supports shelter and meals only; no supportive services are provided. In fiscal year 1993, the Salvation Army contract with the state was for \$7.5 million.

Over time, Michigan's private emergency services providers have had to absorb repeated and sudden increases in demands for services due to cyclical recessions and/or policy changes at the state and federal level. These demands have forced agencies to find ways to conserve scarce and often shrinking resources and to redirect their energy to best meet the needs of their communities. These survey results show that agencies continue to report increased demand for services from individuals who formerly were eligible for publicly funded assistance. Providers conserve their resources by



establishing priorities which serve to limit the populations eligible for help and the services available to them. Respondent providers indicate relative success in their attempts to redirect their agency's services and priorities. This success was not easily attained nor without cost: it was born out of compromises that left emergency centers with fewer employees, fewer people helped, and a potentially less secure funding base. Unmet need results as people are turned away.

Hopefully, the decade ahead will be one of rebuilding a secure base for Michigan's private sector emergency service providers. To accomplish this, the environmental factors contributing to individuals' and families' inability to meet their basic needs must be addressed, and an appropriate role for the public sector in meeting people's needs developed as a part of that rebuilding.

[s.survey.mn/nae/pk](http://s.survey.mn/nae/pk)

**Comparison of 1992-1994 Responses  
from the  
Surveys' Core Group of Respondent Emergency Services Providers\***

These agencies reported a drastic change in hours open for service, from an average of 2.3 hours each day to an average of nearly 12 hours. This change suggests the addition of shelter services in many of these agencies—partially due to expansions resulting from the Salvation Army's contract to encourage new shelter bed development.

Overall, 38 percent increased the number of volunteers used in their agencies; this group of agencies was much more likely to replace existing staff with volunteers, as nearly half of them did compared to only one-fifth of all agencies in the 1994 survey. Funding changed fairly dramatically for these agencies over this short period of time. Although public funding remained stable, going from 46 to 48 percent, funds from the United Way fell from nearly 11 percent of an agency's budget to 4.6 percent in 1994.

The number of individuals provided services was reduced substantially over the past two years, possibly related to a decrease in funding and demand for more expensive services. These 29 agencies served a total of 18,487 individuals during a typical week in 1992. In 1994, that number had fallen to 10,052. Agencies increased their services to people who are unemployed and not looking for work and to part-time workers. The percent of people seen by the 29 providers who are also on public assistance fell from 75 percent to 61 percent.

In 1992, none of the 29 agencies reported that they would utilize the strategy of shortening hours to save on resources, but in 1994 one in four reported having done so. The agencies' current strategies rely less on tightening eligibility criteria for services, and more on limiting the level of services provided to each needy person.

Although the overall survey respondents seemed relatively positive about the future, this group of agencies is more pessimistic than the responding providers as a whole, and more pessimistic than they were in 1992; only 13 percent feel they will be able to handle new requests for assistance, compared to 53 percent in 1992.

\* *A group of twenty-nine service providers responded to the last two surveys undertaken by the League. Provider responses to the latest survey in 1994 were compared to their responses to similar questions used in a survey completed in 1992. As providers of emergency services are often in flux, it is useful to compare the responses of the same sample over time to further collaborate the responses of the larger survey population.*

## Appendix E

***A Profile of the Children in the AFDC Program – Michigan, 1994******How many children depend for all or part of their support on this assistance program?***

In an average month between October 1993 and September 1994, 421,245 of Michigan's children were receiving subsistence support through the Aid to Families with Dependent Children program. Each month, about 5,900 children and their parents left the system, and about 5,200 other children came into it.

***How old are these children?***

Three and under: 35.6%  
 Four and five year olds: 15.2%  
 Six through twelve years old: 33.8%  
 Thirteen to seventeen: 15.0%  
 Eighteen and nineteen year old high schoolers: 0.5%

***Who do they live with?***

One parent (usually their Mom)—82.6%  
 Two parents—15.4%  
 In a foster care arrangement—2.0%

***Where do they live?***

- About half (52.4%) live in Southeast Michigan in Wayne, Oakland or Macomb County. For comparison purposes, these three large urban counties hold 42.1% of the state's population.
- Another fifth (20.8%) live in the other six Michigan counties which have a large metropolitan area. These counties hold 20.8 % of overall population.
- Somewhat rural counties, but those with a small city, are home to 17.8% of AFDC children; 25.7% of Michigan's residents live in these counties.
- In very rural counties, 8.8% of the children reside. These 49 counties hold 11.5% of the total state population.

***What size are their families?***

One parent and one child: 42.5%  
 A parent and two children: 30.2%  
 Four or more children: 10.1%

***What resources are available to each child?***

- \$4.88 in direct support (cash) a day, \$146 a month—regardless of age—if the child is living with his/her parent.
- \$2.30 in food stamps a day (77 cents a meal), \$69 a month.
- \$45.07 a day—\$1,352 a month—if the child is in a foster care arrangement.
- \$79.27 a day (\$2,378 a month) if the child is in a State Ward and Board setting.
- Health care services through the Medicaid managed care system of \$459 a year.
- 11.6% of children get a subsidy to help with their housing costs.
- An indistinguishable number of their families get assistance with child care costs—directly if their parent is in a training program, indirectly as a deduction from the family's earnings before their grant amount is reduced if the parent is employed.

***What living costs are supposed to be covered by the cash assistance the child's family receives?***

The \$435 on average that a family receives for a month has to cover their rent, their utilities, their food costs not covered by food stamps (roughly one-third of an economy food plan under the program's design), their paper products and hygiene items, their clothing, their transportation, the children's school supplies, and the family's miscellaneous costs—such as the occasional household item or birthday gift.

For the child with a parent who can get a parttime job—about one-fourth of AFDC families in the 1994 upsurge in Michigan's economy—the family would be allowed to keep an additional \$200 a month in gross earnings to take care of the above expenses as well as to cover their income and Social Security taxes and other expenses of employment. If the family's earnings come to more than \$200 after any child care deduction, the family can keep 20% of the remainder before the unit has their AFDC supplement reduced; however, low wage parttime employment appears to be the lot of many of these children's parents.

**Sources:** Michigan Department of Social Services, *Assistance Payments Statistics, June 1994 & October 1994*, "Monthly Trend Report of Key DSS Statistics," September 1994, and *Program Statistics, Fiscal 1993*; and Committee on Ways and Means, U.S. House of Representatives, *Overview of Entitlement Programs, Green Book 1994*, Table 10-27, p. 401, Table 10-34, p. 416 and Table 16-16, p. 801.

Calculations by the Michigan League for Human Services

STATEMENT PREPARED FOR THE  
SUBCOMMITTEE ON HUMAN RESOURCES  
HOUSE COMMITTEE ON WAYS AND MEANS  
February 3, 1994

H.R. 4: The Social and Economic Costs of Leaving Immigrants  
Without a Safety Net

By Karen Narasaki  
Executive Director  
National Asian Pacific American Legal Consortium

Gen Fujioka  
Assistant Managing Attorney  
Asian Law Caucus, Inc.

The National Asian Pacific American Legal Consortium (NAPALC) is a non-partisan organization representing the legal and civil rights of our nation's 7.3 million Asian Pacific Americans through public education, public policy analysis, and litigation. The Asian Law Caucus, Inc. one of NAPALC's founders, has for the past twenty years provided direct legal services to thousands of low income families and seniors in the San Francisco Bay Area. NAPALC's other founding organizations are the Asian Pacific Legal Center of Southern California and the Asian American Legal Defense and Education Fund in New York City.

INTRODUCTORY COMMENTS

While there are many issues raised by the range of proposals generally described as "welfare reform" we focus our attention in this testimony on Title IV of H.R. 4, the Personal Responsibility Act. In addition to making blind, elderly, and disabled immigrants ineligible for Supplemental Security Income, H.R. 4 proposes to deny legal immigrants access to virtually all other federal assistance and programs.

This proposal to remove our nation's social safety net for immigrants is both unfair and counterproductive. The net economic contribution of immigrants to the United States clearly outweighs the limited cost of services provided to them.<sup>1</sup> Immigrants have played a vital role in creating new businesses in our country, paying far more taxes than they receive in government services.<sup>2</sup> Non-citizen immigrants have also made immeasurable non-economic contributions and sacrifices to this nation. For example, they have served and their sons have served with distinction and also at extraordinary human cost in the defense of this country.<sup>3</sup>

Denying nutrition, medical care, job training, educational assistance, and other services solely on the basis of non-citizen status ignores the contributions of immigrants to this country. The denial of services to immigrants in their hour of need can only drive more families into homelessness and intractable poverty.

In short, Title IV of H.R. 4 is anti-immigrant and anti-opportunity. The legislation sends the message to legal immigrants that if you become disabled or you lose your job, no matter how hard you may have worked, this country will deny to you and your family the safety net provided to all other Americans. This message is contrary to our recent history of bi-partisan consensus on the positive contributions that immigrants make to this country.<sup>4</sup>

TITLE IV OF H.R. 4 IS NOT WELFARE REFORM

The denial of federal assistance to immigrants contained in Title IV of HR 4 goes far beyond what should properly be considered

"welfare reform." Title IV will deny to immigrants all eligibility to over sixty government programs, including job training, public health immunizations, programs for seniors, college loans, and school lunches. The only persons exempted from the ban on services to immigrants are persons over the age of 75 who have resided in the U.S. for five or more years and refugees for up to six years from their admission into the U.S.

Aside from these exceptions, the ban on immigrant eligibility under Title IV is total and absolute. The proposal makes no accommodation for individual hardship or unanticipated circumstances. Nor does the legislation draw any distinction between legal and illegal immigrants. The result is a policy which is as misdirected as it is draconian.

#### IMMIGRANTS NEED A SAFETY NET TOO

Contrary to popular mythology, immigrants utilize welfare programs at a rate generally lower than non-immigrant households of similar means. A recent study by Professor Frank Bean, who testified before this committee in 1993, found that in California, the state with the largest share of immigrants, poor immigrant households are *less* likely to receive public assistance than poor non-immigrant households.<sup>5</sup>

The reality is that the overwhelming majority of immigrants work. Indeed, immigrants participate in the work force at a *higher* rate than natives.<sup>6</sup> Nevertheless, there are circumstances in which immigrants do need government assistance. Immigrants are not immune from illness, injuries on the job, or layoffs. Immigrants also are not shielded from domestic violence or other crimes. Presumably the objective of this Congress is not to deny assistance in all such cases. Yet, whether intended or not, one of the results of H.R. 4 would be to deny any form of safety net to America's immigrants.

The removal of that safety net will unquestionably result in great human injury and social costs. For example, last year this Congress approved legislation with broad bi-partisan support addressing the serious problem of immigrant women being abused and battered by their U.S. citizen spouses. In response to many well-documented instances of immigrant women and their children trapped in horrifying circumstances, the provisions of the Violence Against Women Act (VAWA) enabled victims of abuse to leave violent marriages without fear of deportation.<sup>7</sup> But Title IV will make the protections of the VAWA meaningless in many cases by denying federally funded shelter, legal services, and other assistance to the victims of abuse and their children, victims who rarely have any other resources of their own to survive upon leaving an abusive husband.<sup>8</sup>

#### BARRING IMMIGRANTS FROM PREVENTATIVE HEALTH CARE PROGRAMS IS A COSTLY MISTAKE

We also urge this committee to consider H.R. 4's broad and costly impact on health care policy.

Ironically, at a time when rising emergency room care costs are motivating private HMOs to expand preventative care services, H.R. 4 provides coverage only for emergency health care for immigrants. H.R. 4 goes farther by also denying immigrants access to immunizations, lead poisoning prevention programs, and a variety of other non-emergency health care programs.

The negative results of this blanket approach to cutting back access to health care can easily be predicted. For example, the incidence of hepatitis is high in Southeast Asian and Pacific Islander communities. The social and human costs of undetected and untreated cases of hepatitis in these immigrant communities are numerous but we will consider only one aspect here.

Without adequate prenatal care and counseling, mothers with hepatitis are likely to transmit the disease to their newborn citizen children. Once hepatitis is contracted by a child the

result is either death or life long chronic liver disease. Presently through outreach through WIC (Women, Infants, and Children) and assistance from other federal programs, health workers are providing vaccinations to at-risk babies.' By denying immigrants access to WIC and non-emergency health care, Title IV of the Personal Responsibility Act will cripple cost effective public health programs such as those preventing the spread of hepatitis.

#### JOB TRAINING AND ASSISTANCE IN EDUCATION PROMOTES ECONOMIC SELF SUFFICIENCY

Just as cuts in non-emergency health care are inimical to public health, eliminating immigrant eligibility for job training and assistance in education is contrary to expanding economic self sufficiency. Here again, immigrants are no different than other Americans. As our economy becomes more competitive, immigrant workers need to be encouraged to learn new skills. But this goal cannot be accomplished when a significant percentage of our work force will be made ineligible to participate in federal job training or educational assistance programs.

For instance, over 950,000 workers now labor in garment shops throughout our nation. As a result of our new trade laws it is predicted that at least 10,000 of these workers will be laid off every year as their industry and their jobs move overseas.<sup>10</sup> The garment industry is characterized by low wages, an immigrant workforce, and extremely low job security.<sup>11</sup> Sound economic policy would provide job training and language skills to these workers so they may move on to other employment and increase their productivity. Post-secondary education is particularly important as our industries demand greater skills. Yet, exactly when our economy needs more skilled labor, Title IV of H.R. 4 would deny federally assisted job training and post-secondary educational assistance to all immigrants.

The discriminatory provisions of H.R. 4 are shortsighted and ill-conceived. To prevent poverty, "welfare reform" needs to be rooted in sound economic policy. Our country needs to support the training and development of our workforce, but H.R. 4 does the opposite. By restricting access to education and job training H.R. 4 limits opportunity. This can only deepen the impoverishment of our newest of Americans and aggravate racial relations.

#### MAINTAINING SERVICES TO LEGAL IMMIGRANTS IS GOOD NATIONAL POLICY

While at this time NAPALC does not endorse any current proposals to reduce access to public services by immigrants, we note that H.R. 4's total ban on immigrant access is far more draconian than other proposals with similar objectives. The proposal's blanket ban on immigrant eligibility makes no allowance for individual circumstances, including cases where immigrants are the victims of abuse, violence, or circumstances beyond their control.

Nor does the proposal address what we shall do with those permanent residents who have become too ill or infirm to work if no government program can assist them. We cannot imagine that Congress's intention is to allow the aged, blind, and disabled to starve in our streets, provided that those starving are not citizens.

In addition to overlooking the certain negative effects of Title IV, H.R. 4 apparently does not weigh the future social and economic benefits which may accrue from today's modest investment in school lunches and other social programs.

All around us we have living proof of the positive results of sound social investment in our communities. We rarely have to look far for such examples. At the Asian Law Caucus in San Francisco, one of the fine law students who assisted in researching issues for this testimony recounted to us that her family arrived in this country as refugees from Vietnam in 1975. For years her mother and her brothers and sisters lived in federally subsidized housing as

they waited for the release of her father from a political 're-education' camp. Our intern recalls the free school lunches and other assistance programs that helped her family survive. Her family has now long been off public assistance. Her mother is a public health nurse. Her sister is a pharmacist and this fall her brother will be enrolling in medical school. They are now all U.S. citizens.

If H.R. 4 has been in effect in 1975 our legal intern's family would have been ineligible for assistance long before her father was released by the Vietnamese government and before her family was able to become self supporting. We all would have been poorer as a result.

#### Notes:

1. As the Speaker of the House Newt Gingrich recently stated, "legal immigration has given America many of its most dynamic and creative citizens, and I think we would be a very, very self-destructive country if we sent negative signals on legal immigration."

2. Michael Fix and Jeffrey S. Passel, Immigration and Immigrants, Setting the Record Straight, (1994) Washington, D.C., Urban Institute, p. 60.

3. See e.g., Commission on Wartime Relocation and Internment of Civilians, Personal Justice Denied, (1982), pp. 253-60.

4. See, U.S. Commission on Immigration Reform, U.S. Immigration Policy: Restoring Credibility, (1994), pp. xxiii, 128-29 (bipartisan commission recommending against "any broad categorical denial of public benefits to legal immigrants"). For an economic perspective on immigration during President Reagan's Administration see, Council of Economic Advisors, The Economic Report of the President, (1986), p. 222 ("the net effect of an increase in the labor supply due to immigration is to increase the aggregate income of the native-born population").

5. San Francisco Chronicle, "Immigrant Reliance on Welfare Questioned" (June 2, 1994).

6. U.S. Department of Labor, Bureau of International Labor Affairs, The Effects of Immigration on the U.S. Economy and Labor Market, (1989), p. 188.

7. One of the VAWA's provisions provides for battered women immigrant women who are married to U.S. citizens or lawful permanent residents to gain legal status on their own without having the abusive husband file the initial papers. This allows these victims of violence to leave abusive situations without fear of deportation. Violence and Women Act, Pub. L. No. 103-322, Title IV, Sec. 40701.

8. The example of battered immigrant spouses is illustrative of why the option of naturalization does not make citizenship a sensible criteria for eligibility for government assistance. In order to become eligible for naturalization, generally legal immigrants must have resided in the U.S. for a minimum of five years and must pass a test in English. For many immigrants who work long hours with limited opportunity to study, the language test is an insurmountable barrier. Also, naturalization is only an option for adults. Immigrant children under the age of eighteen cannot become naturalized citizens. (R. Patrick Murphy, Ed., 1994-95 Immigration and Nationality Law Handbook, pp. 493-504). In addition to the substantive barriers, the Immigration and Naturalization Service has a long backlog in processing applications for citizenship. For example, in Los Angeles an applicant eligible for naturalization must wait approximately two



years before they are even offered an interview by the INS. (Interview with Bill Hing, Professor of Law at Stanford University (February 1, 1995)). Obviously, a battered spouse or someone stricken by some unanticipated illness or injury cannot wait to complete the naturalization process in order to access essential social services.

9. Asian Pacific Islander Health Coalition, California Asian Health Issues in the 1990s (report to the California Commission on Economic Development, 1990), pp. 51-55.

10. See, New York Times, "Jeans Makers Flourish on Border," (September 29, 1994) pp. C1, C13; Los Angeles Times, "Sweatshops Expanding into Orange County," (November 26, 1989), pp. A1, A38.

11. See e.g., U.S. General Accounting Office, Garment Industry: Efforts to Address the Prevalence and Conditions of Sweatshops (1994), pp. 3, 13-14.

**TESTIMONY OF LINDA H. LANGELE AND CARROLL D. MOORE  
NATIONAL ASSOCIATION OF DISABILITY EXAMINERS**

On behalf of the National Association of Disability Examiners, I am pleased to present this statement for the printed record of the January 27, 1995 hearings on welfare reform.

First, please permit me to give you some background information on our association. NADE is a professional association whose membership includes individuals engaged in all aspects of the social security and supplemental security income disability programs. Although the majority of our members are employed in the DDSs, our membership also includes physicians, attorneys, advocates, rehabilitation counselors and others interested and involved in disability evaluation. The diversity of our membership provides us with a unique perspective on the disability program.

We are concerned about what is happening with the childhood disability program which resulted from the Supreme Court's decision in *Zebley v. Sullivan*. We share the concerns expressed by educators and others that providing SSI payments to children may, in some cases, cause harm. There is a growing body of evidence that what was intended as beneficial payments for the needs of these children may in fact be an abuse of the system and possibly outright fraud.

The volume of applications for SSI disability payments to children have had a significant impact on the disability program. Not only have applications increased dramatically, but these claims almost always require more documentation than most adult claims and from a wider variety of sources, many of whom are not familiar with the SSI program or who, for whatever reason, are unwilling to provide information.

Our association developed a position paper on the SSI program for children with disabilities in late 1994. A copy of that paper is included with this statement as an attachment.

As we stated in the position paper "unrestricted, unmonitored cash benefits unrelated to the identification of any financial need created by the disability, are not conducive to maximizing the child's growth and development, and may, in fact, be counter productive." We believe that the Congress should pass legislation to restrict cash payments and substitute a voucher system for as many services as are possible. There should also be a family cap established on the amount of monthly benefits any one family entity can receive.

The 103rd Congress created the Childhood Disability Commission which Social Security is charged with appointing to examine the policies and needs of disabled children. Our association believes this is a step in the right direction and we have requested representation on this commission.

The results of the court decision in *Zebley v. Sullivan* could not be foreseen. The astronomical increase in childhood disability applications, and the ballooning amount of payments to these children is far beyond anything that could have been anticipated. We believe that legislative action is urgent at this point to set in place a voucher system of payments for the medical and specialized needs of these children. Continued unrestricted granting of cash benefits to families of handicapped children, without an adequate monitoring system, will continue to produce charges of widespread fraud and abuse, as well as creating lifelong dependency on government

disability payments for many children whose conditions could otherwise be improved.

Mr. Chairman, I appreciate the opportunity to submit this statement for the consideration of the subcommittee and the Congress.

Attachment



POSITION PAPER  
OF THE  
NATIONAL ASSOCIATION OF DISABILITY EXAMINERS  
ON  
THE SSI PROGRAM FOR CHILDREN WITH DISABILITIES

MEMBERS OF THE NATIONAL ASSOCIATION OF DISABILITY EXAMINERS (NADE) SHARE THE GROWING PUBLIC CONCERN THAT THE CURRENT SSI PROGRAM FOR CHILDREN WITH DISABILITIES PROGRAM MAY NOT BE SERVING CHILDRENS' BEST INTEREST. WE CONCUR WITH THE FINDINGS REPORTED BY THE OFFICE OF INSPECTOR GENERAL IN THE OCTOBER 1994 REPORT: "CONCERNS ABOUT THE PARTICIPATION OF CHILDREN WITH DISABILITIES IN THE SUPPLEMENTAL SECURITY INCOME PROGRAM." WE COMMEND THE INITIATIVE TO ESTABLISH A COMMISSION ON CHILDHOOD DISABILITY TO CONDUCT A "COMPREHENSIVE, CROSS CUTTING POLICY EXAMINATION OF ALL PROGRAMS AFFECTING CHILDREN WITH DISABILITIES AND THEIR FAMILIES." ***WE STRONGLY BELIEVE THAT NADE, REPRESENTING THE FRONT LINE WORKERS IN THE NATION'S LARGEST DISABILITY PROGRAM FOR CHILDREN, SHOULD BE REPRESENTED ON THAT COMMISSION.***

CHILDREN WITH DISABILITIES REPRESENT SOME OF THE MOST VULNERABLE MEMBERS OF OUR SOCIETY. WHETHER OR NOT THERE IS EVIDENCE OF WIDESPREAD FRAUD AND ABUSE IN THE CURRENT SSI CHILDHOOD DISABILITY PROGRAM NO SUBSTANTIAL EVIDENCE EXISTS TO SUPPORT THE CONCLUSION THAT GRANTING UNRESTRICTED CASH BENEFITS PROVIDES CHILDREN WITH THE MEANS--***OR INCENTIVES***--TO GROW AND DEVELOP, TO BECOME INDEPENDENT, AND ULTIMATELY, TO BECOME PRODUCTIVE MEMBERS OF SOCIETY.

CHILDREN WITH DISABILITIES AND THEIR FAMILIES NEED ***AND DESERVE*** ASSISTANCE BEYOND THAT NEEDED BY THE GENERAL PUBLIC. TO ACCOMPLISH THAT WE BELIEVE THE CHILDHOOD DISABILITY PROGRAM MUST BE REFOCUSED--MOVING AWAY FROM CASH BENEFITS TO INCREASED ACCESS TO SERVICES AND MEDICAL CARE AND, WHEN APPROPRIATE, FINANCIAL ASSISTANCE TO PROVIDE FOR CARETAKER SERVICES.

UNRESTRICTED, UNMONITORED CASH BENEFITS UNRELATED TO THE IDENTIFICATION OF ANY FINANCIAL NEED CREATED BY THE DISABILITY, ARE NOT CONDUCTIVE TO MAXIMIZING THE CHILD'S GROWTH AND DEVELOPMENT AND MAY, IN FACT, BE COUNTERPRODUCTIVE. IF CASH BENEFITS ARE RETAINED, SSA MUST BE GIVEN THE ***TOOLS AND PERSONNEL*** TO STRENGTHEN THEIR CURRENT MONITORING SYSTEM TO ASSURE THAT FUNDS ARE BEING USED TO PROVIDE APPROPRIATE TREATMENT AND SERVICES. AND, AT THE VERY LEAST, THE LAW AND REGULATIONS MUST BE CHANGED TO ESTABLISH A FAMILY CAP ON MONTHLY BENEFITS.



National Association of Disability Examiners

IN ORDER TO INSURE THE INTEGRITY OF THE PROGRAM, CONTINUING DISABILITY REVIEWS (CDRs) MUST BE CONDUCTED ON A TIMELY BASIS. *THIS CANNOT BE DONE WITHOUT ADEQUATE FUNDS AND PERSONNEL.* NOT TO DO SO, HOWEVER, MAY PROMOTE A LIFELONG DEPENDENCE ON DISABILITY PAYMENTS FOR THOSE WHOSE CONDITIONS COULD HAVE IMPROVED.

ACCURATE WELL DOCUMENTED INITIAL DECISIONS ARE AS IMPORTANT TO PROGRAM INTEGRITY AS CONTINUING DISABILITY REVIEWS. THESE, IN TURN, REQUIRE COMPREHENSIVE, DETAILED AND DESCRIPTIVE INFORMATION FROM THE MEDICAL AND EDUCATIONAL COMMUNITIES. NADE ASKS THAT SSA INCREASE EFFORTS (*INCLUDING PROVIDING THE TOOLS, STAFFING AND FUNDING TO THE STATE DISABILITY DETERMINATION SERVICES*) TO EDUCATE THE MEDICAL AND EDUCATIONAL COMMUNITIES REGARDING OUR SPECIFIC DOCUMENTATION REQUIREMENTS. WE ALSO ASK THAT SSA FACILITATE RETRIEVAL OF DOCUMENTATION FROM SCHOOLS AND TEACHERS THROUGH SUCH INITIATIVES AS ESTABLISHMENT OF A UNIFORM NATIONAL FEE FOR INFORMATION FROM THESE SOURCES.

NADE BELIEVES THE CURRENT SSI CHILDHOOD DISABILITY PROGRAM MUST BE CHANGED IF IT IS TO TRULY SERVE THE UNIQUE NEEDS OF CHILDREN WITH DISABILITIES AND THEIR FAMILIES AND PROVIDE CHILDREN WITH OPPORTUNITIES FOR ACQUIRING THE LIFE SKILLS NECESSARY TO BECOME ACTIVE PARTICIPANTS IN SOCIETY. TO THAT END WE REQUEST:

- \* NADE REPRESENTATION ON THE COMMISSION ON CHILDHOOD DISABILITY
- \* THE ELIMINATION OF UNRESTRICTED CASH BENEFITS
- \* INCREASED ACCESS TO SERVICES AND MEDICAL CARE FOR CHILDREN WITH DISABILITIES AND THEIR FAMILIES
- \* ADEQUATE FUNDING AND PERSONNEL TO ENSURE THAT CDRs CAN BE CONDUCTED ON A TIMELY BASIS
- \* INCREASED EFFORTS BY SSA TO EDUCATE THE MEDICAL AND EDUCATIONAL COMMUNITIES REGARDING OUR SPECIFIC DOCUMENTATION REQUIREMENTS AND TO ESTABLISH APPROPRIATE COMPENSATION FOR INFORMATION PROVIDED.

## TESTIMONY OF THE NATIONAL ASSOCIATION OF SOCIAL WORKERS

The National Association of Social Workers (NASW) is the oldest and largest organization of professional social workers in the world. Its 155,000 members practice in settings that include family service agencies, mental health facilities, schools, hospitals, industry, and the justice system.

On behalf of NASW's members, we welcome the opportunity to submit our comments to the House Ways and Means Subcommittee on Human Resources as it once again examines the plight of America's needy families and how best to assure them a place in America's mainstream economy.

We, as social workers, are uniquely positioned to understand the conditions that define the lives of people in poverty, and the effects of government intervention on the well-being of low-income families. Our experience suggests that, while there is no question that the existing welfare system falls short of meeting its goals, the Personal Responsibility Act (PRA) is not a viable solution. In fact, it would be a terrible mistake—for our children, for our communities, and for the tax-paying public.

The PRA would deny basic income support to numerous poor families, including many in which parents comply with all program rules and are willing to work but cannot find a job. It would weaken the social safety net through deep cuts in programs that provide food, cash, and housing assistance not only to the poor, but to the elderly and disabled. And it would do little to create economic opportunity for those struggling to make ends meet.

For these reasons, and those that follow, the National Association of Social Workers vehemently opposes passage of the PRA.

The PRA does little to promote self-sufficiency. Only a short time ago, in 1988, Congress passed the Family Support Act—a bipartisan bill whose underlying premise was that the best way to reduce reliance on welfare was to undertake a serious effort to prepare recipients for work. Although it is widely recognized that the Family Support Act was never fully implemented as planned (most states, struggling in the wake of the recession, were unable to draw down their share of the federal funds), the Act was condemned as a failure and more drastic alternatives were sought.

The PRA is one such alternative. In its eagerness to promote personal responsibility, it abdicates public responsibility. Its approach is short-sighted and will, we believe, ultimately fail.

A 1993 bipartisan poll<sup>1</sup> of over 1000 registered voters found that a majority (52%) of Americans believe the goal of welfare reform should be to help the poor get into the work force. Presumably, when the public says it wants welfare recipients to work, it does so with the expectation that they will then be in a position to earn their own keep and support their children with a minimum of government assistance.

Under the PRA, this outcome is highly unlikely.

1. Under the guise of flexibility, the PRA would leave up to each state all determinations regarding what services, if any, would be offered to prepare welfare recipients for work.

Each day, Americans are bombarded with the message that our workers must be re-tooled and our young people must be better educated to succeed in a world economy marked by rapidly changing and increasingly sophisticated technology. Yet when it comes to welfare recipients, we behave as if education and training are luxuries. We offer them only the minimum, and often not even that. By pushing welfare recipients off the rolls and into the job market without ensuring them adequate preparation, the PRA's work requirement becomes a set-up for failure. What kinds of jobs will these individuals be equipped to take? How will they succeed in a competitive market?

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<sup>1</sup> Garin, G., Molyneux, G. & DiVall, L., Public Attitudes Toward Welfare Reform: A Summary of Key Research Findings, Peter D. Hart Research Associates and American Viewpoint, 1993.

2. The PRA would place a five-year lifetime limit on receipt of AFDC benefits. (States would have the option of imposing a two-year limit for recipients who had spent at least one year in a workfare program).

As social workers, we can attest to the fact that welfare recipients are a heterogeneous group. Some will be able to support themselves fairly readily; others will not. What will become of those who are unable to find work, once their allotted time on AFDC has expired? The PRA makes no provision for them, whatsoever. Do we suppose that they and their hungry children will somehow disappear? Are we honestly naive enough to believe that cutting them off with no aid and no job will save the taxpayer money? Either we invest now or we pay the price later--in increased homelessness, hunger, emergency medical care, and crime.

According to recent polling data<sup>2</sup>, eight out of ten Americans reject a hard-and-fast time limit for benefits, preferring case-by-case determinations. Furthermore, by a margin of seven to one, they support the provision of subsidized employment for those unable to find private sector jobs--a feature that is noticeably missing from the PRA's approach.

3. The PRA also requires that states implement a workfare program. Recipients would be required to work 35 hours a week in unpaid employment, for the privilege of receiving their AFDC grants. No one would be exempt, even if ill, incapacitated, or caring for a disabled infant or child.

Experience shows that workfare programs are expensive to operate (at least \$6,000 per slot for administration and child care<sup>3</sup>) and are largely ineffective in improving the employment prospects of participating parents. Because they require work in exchange for benefits, rather than paying a wage, workfare programs provide no opportunity for participants to accumulate savings.

Furthermore, requiring all participants to work 35 hours per week, regardless of the value of their benefits, means that most recipients would be working for significantly less than the minimum wage. In the median state, this arrangement would amount to a "wage" of about \$2.43 per hour (compared to the federal minimum wage of \$4.25); in Mississippi, it would be equivalent to an hourly "wage" of only 79 cents. Requiring recipients to work at such horrendously substandard wages is truly unconscionable and does little to reinforce the value of work.

4. The PRA's imposition of a lifetime limit on AFDC benefits is also fundamentally incongruent with what we know about patterns of welfare use. It presumes that the movement from welfare to work is linear--that recipients receive benefits, move off the rolls, and stay off the rolls in an orderly progression. Quite the reverse is true. Even those who successfully enter the job market often return; they cycle back and forth between welfare and low-wage or unsteady employment. Their need for assistance is intermittent.

Estimates suggest that nearly half (48%) of all families currently receiving AFDC would be terminated under the PRA's lifetime benefit limit<sup>4</sup>; these are people who have received a total of five years of AFDC, largely accumulated over several short stays. Imposing such a limit would leave these families, regardless of their hard work and effort, without a safety net; in fact, it would render all of us vulnerable. We are all subject to the vagaries of life; the sad reality is that, for some, adversity strikes more than once.

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<sup>2</sup> Garin, G., Molyneux, G. & DiVall, L., Public Attitudes Toward Welfare Reform: A Summary of Key Research Findings, Peter D. Hart Research Associates and American Viewpoint, 1993.

<sup>3</sup> Congressional Budget Office, 1993.

<sup>4</sup> Beebout, H., Jacobson, J. & Pavetti, L., "The Number and Characteristics of AFDC Recipients Who Will Be Affected by Policies to Time-Limit AFDC Benefits," October 1994.

5. There is widespread recognition that many people who work earn too little to support their families. The PRA ignores this issue entirely. It zealously cuts recipients off the welfare rolls, but offers them no other viable source of income. If the PRA were serious about fostering self-sufficiency, it would take a hard and sincere look at encouraging job creation and increasing the earning potential and job security of those struggling to take part in the mainstream economy.

**The PRA's emphasis on illegitimacy and teen parenthood is misplaced.** One of the stated goals of the PRA is to reduce out-of-wedlock births. This would allegedly be accomplished by denying assistance to children born to young, unmarried mothers (under 18 or, at state option, under 21) and to children whose paternity has not been established.

As social workers, we are well aware of the problems associated with premature parenting and the difficulties many single-parent families face. We believe, however, that welfare reform legislation is an inappropriate vehicle for addressing these issues and that the PRA's approach to reducing teen pregnancy and out-of-wedlock births is insupportable. It will do little to solve the problem and will result in devastating consequences for millions of innocent children.

1. The rise in out-of-wedlock childbearing, often associated with welfare, is a phenomenon that in fact is occurring throughout all strata of our society and throughout other western industrialized nations. Contrary to popular belief, two-thirds of all American women who give birth outside of marriage are not poor<sup>5</sup>. If we are serious about reducing out-of-wedlock births, we should develop a broad-based strategy rather than singling out women in poverty for punishment and disapproval.
2. Similarly, the PRA's focus on teenage childbearing is out of sync with its actual role in welfare dependence. In fact, fewer than 1.2% of all AFDC mothers are under age 18. And contrary to the conventional wisdom that there is an epidemic of teenage pregnancy in the United States, teen births are actually dropping<sup>6</sup>.
3. Those conversant with the research on developmental psychology know that many of the strategies typically employed to modify adult behavior are ineffective with teens. Teens typically believe themselves to be invulnerable and often lack the cognitive ability to appreciate the reality of adverse consequences. The PRA ignores this information. It erroneously assumes that teenagers will decide not to have children once they know that financial support from the government will no longer be forthcoming.

The teenage mothers on welfare whom we, as social workers, have encountered are often extremely naive about their abilities, their opportunities, and their situations. Many think they will have no trouble juggling a child, a job, an education, and the assorted demands of daily living. It would not be at all surprising if, similarly, young people fail to appreciate the hardship that would result from denial of government assistance. Meanwhile, they will continue to have children, but their children will be condemned to poverty.

4. Under the PRA, children born to unmarried young mothers would be permanently barred from receiving benefits, unless the mother subsequently marries and her husband legally adopts them. The implementation of this provision would unnecessarily brand "illegitimate" children for life; its possible consequences border on the absurd.

For example, if a mother has a child at age 17, both she and the child would be ineligible for benefits. If at age 22 she then has another child, she and the second child would be eligible for benefits, but her first child would not.

In addition, this provision applies to all new AFDC applicants. An unmarried 22 year old mother and her six year old child who are receiving AFDC when the bill is implemented would continue to be eligible for benefits. However, if that same mother succeeds in

<sup>5</sup> "Welfare and Out-of-Wedlock Births," Center on Budget and Policy Priorities, May 1994.

<sup>6</sup> "Teen Pregnancy, Welfare and Poverty: Myths v. Facts," Wider Opportunities for Women, 1994.



leaving the rolls, works for ten years, loses her job, and needs to reapply for assistance, both she and her child would be deemed ineligible. What is the message here?

5. The PRA's provision to deny AFDC in the absence of successful paternity establishment would affect all unmarried mothers on welfare, regardless of age.

Social workers recognize that early identification of fathers can be important in the life of a child, for both financial and emotional reasons, and should be encouraged. The PRA, however, reaches too far.

Children whose paternity has not been established, including those already on the welfare rolls, would be ineligible for benefits even if the mother is cooperating with state officials in their efforts to identify and locate the father. Under federal regulations, state child support agencies are allowed 18 months to establish paternity after the father is located; some states take even longer. Under the PRA, a child would remain ineligible for assistance during this entire period. The well-being of mother and child would hinge on the efficiency of state bureaucracies whose success in establishing paternity varies widely (from 85% in West Virginia to a mere 3% in Oklahoma). If this provision of the PRA were in effect today, 29 percent of all children receiving AFDC--2.8 million children--would be denied public assistance<sup>7</sup>.

6. The PRA also includes a "family cap" or "child exclusion" provision under which children born to women on welfare would be denied additional benefits. While this approach is often presented as an additional disincentive for poor women to bear children out of wedlock, it is not.

First, every state is now required by law to provide AFDC to otherwise eligible two-parent families. Since two-parent families may well be among those who are sanctioned for having additional children, the family cap will hardly discourage illegitimacy.

Second, family cap proposals reflect the widely held--but erroneous--belief that welfare mothers have lots and lots of babies. In fact, nearly three-quarters (about 73%) of all welfare families contain only one or two children, no different from other American families<sup>8</sup>.

Third, many of our country's leading researchers<sup>9</sup> concur that AFDC benefit levels (\$366 per month in the median state) and the increases associated with an additional child (an average of \$46 per month) have little effect on the likelihood that a woman will have another child.

Finally, the family cap provision could well have unintended and perverse consequences. Specifically, the PRA would deny benefits to children born to women currently receiving welfare or who received welfare at any time during the 10 months prior to the child's birth.

Consider the following: a woman has one child and is pregnant with her second. Her husband deserts her. She seeks public assistance during the latter part of her pregnancy. Under the PRA, her newborn would be ineligible for benefits even though the child was conceived while the mother was married and not on welfare. Although this is clearly an illogical response to concerns about out-of-wedlock births and welfare dependence, it will have serious repercussions, further reducing the resources available to needy families.

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<sup>7</sup> U.S. Department of Health and Human Services, Characteristics and Financial Circumstances of AFDC Recipients, 1992.

<sup>8</sup> U.S. House of Representatives, Committee on Ways and Means, Overview of Entitlement Programs, 1994.

<sup>9</sup> Statement by 76 leading researchers, organized by Sheldon Danziger, professor of social work and public policy at the University of Michigan, with technical assistance provided by the Center on Budget and Policy Priorities, Summer 1994.

**If the PRA is enacted, children will be the casualties.** All else aside, passage of the PRA would be devastating for America's children. As proposed, it would—quite literally—throw the baby out with the bath water. Estimates suggest that its implementation would result in the disqualification of over half (5 to 6 million) of those children currently eligible for AFDC benefits.<sup>10</sup> These are innocent children who stand to be punished by their own government because of an accident of birth.

This is a far cry from what the public wants or expects from "welfare reform."

In addition to the various proposals that would explicitly deny benefits to selected groups of children, the PRA further disadvantages them by substantially reducing the programs designed to provide them and their families with a modicum of security.

1. The PRA would cap total spending for basic assistance programs including AFDC, SSI, child support enforcement, child care for the working poor, and low-income housing and repeal their entitlement status. The House Republican Conference estimates that spending for these programs would be reduced by \$18 billion over three years.

In fact, once these programs are no longer entitlements, there is no guarantee that those in need will receive any assistance. Funding levels would no longer respond automatically to increased need during economic downturns or to increases in the size of the low-income population. Each state could determine who, among the needy, would and would not receive benefits—and those denied benefits would have no legal recourse. Once a state exhausts its annual allotment, those who fall prey to catastrophe would just have to wait in line.

2. These programs will end up having to compete against each other for resources, since they would be subject to a single outlay cap. This would be extremely counterproductive, since all are designed to get poor families back on their feet again. Reductions in one program would only increase the need for the others.
3. Nutrition programs including food stamps, WIC, and the school breakfast and lunch programs would be consolidated into a block grant, their entitlement status repealed, and their combined funding levels substantially cut.

Over half the food stamp program's recipients are children, the vast majority of whom live below the poverty line. School breakfast and lunch programs and the supplemental feeding program for women, infants and children (WIC) were designed to respond to solid evidence that inadequate nutritional intake harms children.

Even with current levels of funding and with entitlement status, approximately 5 million children under age 12 go hungry at some point each month.<sup>11</sup> Additional cuts in these programs would only exacerbate this tragedy and might well increase the incidence of stunted growth, iron deficiency, low birthweight, and birth defects—conditions that have been linked to poor academic performance, deficits in problem-solving, and poor motor coordination.

4. Anticipating that the PRA would further impair the ability of many families to care for their children, it proposes to take the money "saved" by cutting off benefits to children of young, unmarried mothers and hand it over to states to use for orphanages, group homes, adoption promotion, or pregnancy prevention.

One of the enduring values of American society is the belief that people should be presumed innocent until proven guilty. Poverty is not a crime. While we have developed mechanisms for removing children from the care of parents who abuse or neglect them, we no longer confiscate children from poor homes under the presumption that poor

<sup>10</sup> Center on Budget and Policy Priorities, Personal Responsibility Act: An Analysis, Summer 1994.

<sup>11</sup> Food Research and Action Center, Community Childhood Hunger Identification Project.

parents are bad parents. Government should not be in the business of impoverishing families and then breaking them up because they are poor.

What will happen to these children, once they are removed from home? The existing child welfare system is ill-equipped to meet the current demand of approximately 460,000 children needing out-of-home care,<sup>12</sup> let alone an influx of up to ten times that number (those who would be denied basic cash assistance under the PRA). Foster home placements are in short supply, and institutional care is expensive (an estimated \$30,000 to \$60,000 per child, per year).<sup>13</sup>

Furthermore, many years of research and clinical experience have led to the conviction that children develop best when they are given individual attention from a consistent caregiver. This is a standard that is hard to meet in an institutional setting, be it an orphanage or a group home. On the other hand, many families—even poor ones—often demonstrate amazing resilience with a little bit of help and support.

**Punting to the states is not the answer.** The PRA affords states the option of receiving their federal funds for AFDC, JOBS, emergency assistance, and AFDC child care in the form of a block grant. Other than "providing benefits to needy families with dependent children," no standards would have to be met and no state match would be required. The Republican governors have suggested that this be just one of several block grants, addressing a broad spectrum of social service needs.

NASW recognizes the importance of state flexibility in designing and implementing specific programs, but firmly believes that the federal government has a responsibility to maintain a viable social safety net for families who fall on hard times and those who, for whatever reason, are unable to compete in the current economy.

1. There is no question that the explosion of categorical programs has produced an array of confusing, conflicting, and often overlapping social services. There are indeed areas where carefully crafted program consolidation could be helpful in creating a more rational delivery system.
2. Consolidation, however, should not be viewed as an opportunity for the federal government to abandon its responsibility for oversight, nor to relax its demands for accountability. Rigorous performance standards and client protections must be built into any redesign of current programs.
3. Block grants make easy targets, when budget cutting comes around. (Witness the block grants created in the early 1980's). Already, the PRA proposes a funding cut: the new block grant would be permanently frozen at 103% of a state's 1994 federal AFDC payment. Additional cuts are sure to follow, particularly since the PRA also eliminates AFDC's entitlement status.

States may welcome the flexibility, but they will soon discover that the block grant is inadequate to meet their local needs. They will then be even more hard-pressed to provide for the vulnerable families in their communities.

**There is a better way.** NASW believes that the Personal Responsibility Act takes us in the wrong direction. Reforms should focus on changing the system—on expanding opportunity by removing existing bureaucratic and structural barriers that keep recipients from earning their way out of poverty. Reforms should not be designed to cut federal spending, scapegoat the poor, or punish children for the circumstances of their birth.

Specifically, NASW recommends the following:

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<sup>12</sup> Child Welfare League of America.

<sup>13</sup> Children's Defense Fund, Republican "Contract with America" Welfare Bill—Summary and Newsweek, "The Orphanage," December 12, 1994.

1. Provide immediate, short-term financial assistance to families that experience a break in earnings or a catastrophic life event, in order to eliminate their need to enter or re-enter the welfare system.
2. Improve service delivery by standardizing and simplifying eligibility rules across income support programs, planning for manageable workloads, increasing staff qualifications and professional development, and upgrading management information systems and technology.
3. Get serious about preparing welfare recipients for work by providing a range of educational, vocational, and job training opportunities. Educational opportunities should include basic literacy, English as a second language, high school, and postsecondary education. Job training should be sensitive to the changing job market and the local economy, and should include preparing women for non-traditional careers.
4. Make it feasible for recipients to engage in education and training by ensuring the availability of accessible, affordable, high-quality child care and elder care, including before- and after-school care and child care for sick children. Provide child care within the public school system to allow teenage parents to continue their education. Promote the availability of site-based child care at work, training, and educational establishments.
5. Ensure the availability of transportation to education and training locations, places of employment, and child care sites.
6. Help keep new workers in the workforce by continuing to provide support services including health care, child care, transportation, and job coaches or on-the-job mentors.
7. Make it possible for low-income families to begin to accumulate savings by allowing welfare recipients to keep more of their earnings without penalty. Increase the asset limitation and the AFDC automobile allowance.
8. Increase the minimum wage and continue to expand the earned income tax credit so that working parents will be able to support their families.
9. Eliminate the marriage penalty under AFDC by treating two-parent families the same way single-parent families are treated.
10. Increase voluntary opportunities for paternity to be established at birth.
11. Attack teen pregnancy by providing teens with better opportunities and options and access to family planning services.

The National Association of Social Workers appreciates this opportunity to share with you our views on the Personal Responsibility Act and our recommendations for welfare reform.

As you assess various options and evaluate possible courses of action, we urge you to resist quick-fix, sensationalist approaches and instead to deal honestly with the complexities of poverty and dependence. Most of all, we urge you to choose reforms that are responsible, constructive, and humane. Many lives and our country's future are at stake.

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WRITTEN STATEMENT  
OF  
THE NAVAJO NATION  
SUBMITTED TO  
THE HOUSE SUBCOMMITTEE ON HUMAN RESOURCES  
OF THE COMMITTEE ON WAYS AND MEANS  
ON  
H.R. 4, THE PERSONAL RESPONSIBILITY ACT

FEBRUARY 7, 1995

The Navajo Nation appreciates this opportunity to provide comments on H.R. 4, "The Personal Responsibility Act" to the House Committee on Ways and Means Subcommittee on Human Resources. The Navajo Nation is pleased to take advantage of this important opportunity to address the unique and diverse needs of the Navajo Nation and other Indian tribes whose members participate in some form of federal welfare programs.

#### INTRODUCTION

The Navajo Nation generally supports the idea that welfare reform is necessary; however, we are concerned that H.R. 4, as currently drafted, (1) does not adequately address how the "block-granting" principle will apply to Indian tribal governments and (2) does not appropriately consider the special government-to-government relationship between Indian tribes and the Federal government (ie. treaty obligation and trust responsibility). H.R. 4 proposes to reduce the size of the nation's welfare system, reduce out-of-wedlock births, and expand state flexibility in addressing welfare programs, but the Navajo Nation is deeply concerned that these proposals threaten to alter the management and control of some tribal welfare programs that are already administered by Indian tribes. Additionally, the Navajo Nation fears that H.R. 4 has the potential to hinder the Navajo Nation's efforts to address the welfare needs of the Navajo Nation. While the issue at hand is a complex one, the Navajo Nation strongly believes that H.R. 4, and any future congressional welfare reform proposals, must explicitly address the needs and concerns of Indian tribes.

Our comments today will (1) highlight the Navajo Nation's unique socio-economic demographics, (2) outline the Navajo Nation's efforts to meet the needs of its people, (3) identify the various welfare programs that are currently administered on the Navajo Nation and describe their impact on Navajo welfare recipients, (4) state the Navajo Nation's view on the concept of Welfare Reform and (5) interpret the potential outcome of specific provisions included in H.R. 4 on the Navajo Nation and provide recommendations to improve these provisions.

#### PROFILE OF THE NAVAJO NATION

The Navajo Nation is the largest and most populous Indian tribe in the United States with an estimated 219,000 members. The Navajo Nation encompasses 17.5 million acres, spanning the states of Arizona, New Mexico and Utah - one third of all Indian lands in the lower 48 states. The Navajo Nation is larger than the states of Connecticut, Delaware, Maryland, Massachusetts, and Rhode Island combined. Given our geographical composition, the Navajo Nation often encounters complex jurisdiction issues in regard to implementation of state and tribal programs, such as natural resource management, environmental protection and economic development.

The Navajo Nation is a sovereign government with an expansive tripartite structure, composed of executive, legislative, and judicial branches. The functions of each branch of government are similar to that of the federal government: the legislative branch creates laws, the executive branch implements the laws, and the judicial branch interprets the laws. The Navajo Nation has a President and Vice-President (executive), who are elected by the Navajo people, as are the 88 members of the Navajo Nation Council (legislative), while the Chief Justice (judicial) is appointed by the President and confirmed by the Council.

#### Significant Demographic Information

Although the Navajo Nation is rich in natural resources and possesses tremendous economic potential, socio-economic conditions on the Navajo Nation are comparable to

those found in underdeveloped third world countries. According to the 1990 U.S. Census, approximately one-half of our people residing on or near the Navajo reservation are below the age of 21; and the Navajo population is growing at twice the national rate. Additionally, in 1992, a survey published by the Department of Health and Human Services' Indian Health Service (IHS) reported that approximately 15 percent of the Navajo population is under 6 years of age and indicated that the population growth is expected to continue with the Navajo Nation birth rate determined at 3.25 percent. This is twice as high compared to the 1987 U.S. birth rate of 1.57 percent.

#### **Family Structure**

A majority of Navajo families maintain extended family relationships often living in groups which include grandparents, uncles, aunts, cousins, nephews, nieces and other "clan-related" individuals. Navajo children are raised within this secure network of people whom care for them and contribute to their education and social well-being; including the teaching of the Navajo language, sacred Navajo traditional beliefs and observance of cultural values. However, this unique system of child development has begun to deteriorate due to the many external influences. Some Navajo families are drifting apart as some members must follow economic and "formal" education opportunities not available near their homes.

#### **Educational System**

The size of the Navajo reservation coupled with our population boom, demands the expansion and improvement of the educational system serving Navajo children. Educational statistics for Navajo students (such as measures of achievement, school completion, and college attendance) indicate performance levels far below those associated with America's worst urban and rural educational systems. The schools serving Navajo children - primarily Bureau of Indian Affairs' schools, and public schools under the jurisdiction of states of Arizona, New Mexico and Utah - offer inconsistent and often culturally-insensitive curricula, and simply do not provide Navajo students with the educational and social opportunities that they need and deserve. As a result, some Navajos who pursue higher education opportunities do not complete their institutions as they are either academically ill prepared, primarily due to limited English language proficiency or they experience difficulties in adjusting to a new disparate setting.

To worsen matters, the Navajo Nation government and its people do not possess the requisite authority to address the bulk of these problems arising from the unique three-state geographical/jurisdictional status of the Navajo Nation.

#### **Employment Statistics**

The Navajo Nation is characterized by unemployment levels ranging from 36 to 50 percent depending on the season; per capita income averages \$4,106; and over 56 percent of our people live below the poverty level. High unemployment on the Navajo reservation is the underlying reason that many Navajo families are disjointed as some members are forced to relocate to nearby urban areas to find jobs. Private-sector businesses are non-existent on the Navajo reservation. Family members who cannot find employment or provide adequate care and basic needs for their children experience stress, depression, and frustration. The consequences are illustrated by the increasing levels of child abuse and neglect, alcoholism, drug and substance abuse and depression.

#### **Housing Deficiency**

Currently, the scarcity of adequate housing on the Navajo Nation is at a magnitude that can be characterized as a "housing crisis." The Navajo Nation has determined that 13,539 newly constructed homes are needed immediately to alleviate severe overcrowding. Additionally, many existing houses are in disrepair. The Navajo Nation estimates that 23,527 existing housing units on the Navajo Nation are in substandard condition because they lack either running water, indoor plumbing, electricity and/or central heating. Essentially, approximately 62 percent of housing on the Navajo Nation requires significant improvement, in addition, to a continued extensive home building program.

Basic "necessities" of life, taken for granted elsewhere in America, are sorely lacking on the Navajo Nation: 77 percent of Navajo homes lack plumbing, 72 percent lack kitchen facilities, and 76 percent lack telephone service. 35.1 percent of Navajo families (12,907 households) presently haul water from windmills or springs to meet their basic domestic

water needs. Many of these domestic water systems were constructed prior to passage of the Clean Water Act, and therefore without adherence to, strict standards of water quality and well-head protection required by U.S. Environmental Protection Agency.

#### **NAVAJO NATION EFFORTS TO IMPROVE THE LIVES OF THE NAVAJO PEOPLE**

Many of the social and economic conditions referenced above are directly attributable to an enormous infrastructure deficit. The Navajo Nation is committed to resolving all issues hindering the development of Navajo communities and families. Limited opportunities, and underdevelopment in most essential areas such as health, education, social services, and economic development will undoubtedly continue unless the Navajo Nation responds with the necessary knowledge, skills, and tools to make those important decisions to strengthen the Navajo Nation. However, the Navajo Nation's response is in large part dictated by the federal programs.

The Navajo Division of Social Services actively provides services such as child protective services, child care, adult in-home care, specialized child care, and Indian Child Welfare Act program. The Navajo Division of Health provides many nutrition related services such as Food Distribution program and Women, Infant and Children (WIC) program. The Division of Human Resources provides employment training programs such as Job Opportunities and Basic Skills (JOBS) program. The Navajo Nation's Division of Community Development and the Navajo Housing Authority currently administer all of the programs responsible for upgrading and renovating existing homes as well as new housing construction. All these Navajo Divisions are contributing to the well being of the Navajo people with the limited financial resources that are available from tribal, state and federal governments.

The Navajo Nation has played a leadership role in related efforts to foster an environment conducive to growing the Navajo economy (and those of other Indian reservations). The Navajo Nation initially proposed, and thereafter devoted substantial resources to advocating successfully, the first-ever, reservation-based Indian Investment and Employment Tax Incentives (enacted as Sections 13321 and 13322 of the Omnibus Budget Reconciliation Act of 1993) to attract private sector investment and jobs to Indian country. Recently, we have played an active role before the Congress to extend to Indian country its fair share of the benefits that may be realized under President Clinton's Community Development Banking legislation, and before Congress and the Federal financial supervisory agencies seeking to reform the implementation and enforcement of the Community Reinvestment Act so that Indian reservations are no longer left behind, or left out altogether, from the rural banking lending/services that law was designed to encourage. Additionally, we drafted language incorporated into the recent Goals 2000 legislation to focus research on the special educational needs of American Indians, and we are working with Congress and the Administration to extend to Indian reservations many of the same types of economic development opportunities now designated for empowerment zones.

#### **THE NAVAJO NATION'S VIEW OF WELFARE REFORM**

As stated in the introduction, the Navajo Nation generally supports the idea that welfare reform is necessary. In this context, the Navajo Nation strongly believes that the following principles must be incorporated into any Welfare Reform proposal considered by Congress:

**Trust Responsibility:** Welfare Reform initiatives must be consistent with the federal government's trust responsibility to Indian tribes. The federal trust responsibility was recently reaffirmed by the President for all Federal agencies.

**Equity:** Welfare Reform initiatives must provide the Navajo Nation access to the same levels of benefits and funding as other Americans and state governments.

**Tribal Control and Management:** Welfare Reform initiatives must recognize that the Navajo Nation has the right to determine its own welfare programs to address its people's needs. The concepts of self-determination, self-governance, and a government-to-government relationship are crucial to the Navajo Nation. Further,

during the 103rd Congress, the Indian Self-Determination Contract Reform Act of 1994 (Public Law 101-413) was passed indicating congressional support for these concepts.

**Self-Sufficiency:** Welfare Reform initiatives must acknowledge the Navajo Nation's right to develop its welfare programs to meet its own definition of self sufficiency based on the respective communities available resources.

Unfortunately, thus far, most discussion on Welfare Reform does not address the 4 principles listed above, nor indicate how Congress plans to address the needs of Indian tribes. For this reason, the Navajo Nation strongly recommends that Congress offer special attention and consideration to Indian tribal governments.

#### Tribes as Self-Determining Governments

The Navajo Nation strongly believes that Indian tribes are the best authority in determining the management and goals of their welfare programs. Tribes are increasing their capabilities to develop and properly manage such programs. It is for these reasons, that the Navajo Nation strongly advocates that, for funding purposes, tribes be treated as states, in that all Federal agencies should be given full authority to enter into direct contracts and grants with Indian tribes (rather than passing these programs and funds through the States). However, Congress should continue to recognize the government-to-government relationship that exists between tribes and the federal government, and explicitly differentiate and define Indian tribes from states. The most obvious methodology to achieve this is through a general amendment to Public Law (P.L.) 93-638, as amended, the Indian Self-Determination and Education Assistance Act. This amendment would expand P.L. 93-638 to all Federal agencies not only the Department of Interior and the Department of Health and Human Services. In order to fulfill its trust responsibility, the Federal government must ensure that Indian tribes have the means to exercise their sovereign authority over their welfare programs. Indian tribes should, therefore, be authorized to participate fully in federally funded programs, while keeping an awareness of the unique tribal concerns and challenges.

Like states, some Indian tribes administer their own welfare programs. The Navajo Nation administers its own General Assistance Program through the Bureau of Indian Affairs (BIA) to assist Navajo families who do not qualify for any type of state or federally-funded financial assistance programs. The Navajo Nation also administers such programs as Women Infant and Children (WIC), Food Distribution program, and Job Opportunity and Basic Skills (JOBS) through direct federal funding.

The Navajo Nation recognizes that not all Indian tribes have the capabilities to administer welfare programs. However, the true goal of any welfare reform proposal should be to enhance tribal self-determination and support Indian tribes in their efforts to develop and implement their own welfare programs to meet the particular Indian tribe's individual needs. Indian tribes must have the flexibility to design a welfare program what would meet the complex and unique needs of Indian people.

#### Block grants to States - Indian Set-aside

As the Welfare Reform debate continues, the Navajo Nation believes that the State "block-granting" principle is garnering support and is thereby greatly concerned that the leverage of Indian tribes to determine how best to utilize the available amount of resources will be dramatically decreased if States are given authority to administer all federal welfare programs. The Navajo Nation fears some States may (1) receive an allocation less than the identified need, (2) not include all eligible welfare recipients in its programs, and (3) not provide and direct an equitable amount of the available dollars toward Indian tribes. One example illustrates the type of concerns the block granting approach raises: when Title XX block grants were created, the State of New Mexico subcontracted with the Navajo Nation on a number of services. However, the State's allocation of funding was clearly discriminatory - depriving Navajo individuals of needed services. While the situation was ultimately rectified, it was necessary to sue the State of New Mexico - a case which finally went to the United States Supreme Court, before it was concluded.

Therefore, for funding purposes only, the Navajo Nation strongly recommends that Congress adopt a 5 percent "set-aside" for Indian tribes from the total amount of dollars to



be appropriated to States, to service Indian welfare recipients. The Navajo Nation feels that by securing a "pot of money" for exclusive use by Indian tribal governments to address welfare needs, the Navajo Nation and other Indian tribes are in a better position to ensure the available dollars are meeting the true needs of the targeted population.

#### **COMMENTS AND RECOMMENDATIONS ON H.R. 4**

##### **Title I, Sections 101, 105, 106, 107: Denial of AFDC and Housing Benefits to Children, Young Mothers and Families**

In title I, sections 101, 105 and 106 proposes to deny Aid to Families with Dependent Children (AFDC) and/or housing benefits to children who fail to establish paternity and are born out-of-wedlock, despite cooperation of individuals. Section 107 authorizes States the option to deny AFDC and housing benefits to young mothers (18,19, or 20 years of age) who bare children out-of-wedlock.

The Navajo Nation strongly opposes the denial of welfare and housing benefits to Navajo children, young mothers and families. By denying AFDC and housing benefits, this section fails to recognize the social and cultural importance of children to the Navajo people. The Navajo Nation views Navajo children as its most valued resource. Children represent the continued existence and integrity of the Navajo Nation. In this context, these provisions are senseless and negates this important cultural element.

These sections discriminate against the socio-economic status of children, young mothers and families. Children should not be punished for the economic circumstances for which their parents currently experience. In some cases, welfare benefits are a Navajo family's only means of support. Should Navajo families fail to receive financial assistance, these families will separate. In effect, these sections will separate families risking the child's eligibility to receive benefits from any source.

In the Navajo extended family, Navajo children are accepted as part of the family and/or tribal clan and, more importantly, are not stigmatized by their parent's marital status. However, if a Navajo child is moved to an extended family member, the Navajo extended family will experience financial difficulties in supporting these Navajo children. If Navajo families, who support these children, fail to receive additional assistance, the Navajo family will be penalized for its traditional life style.

These section further penalize Navajo families from receiving housing benefits and add to the difficulties of obtaining housing. The Navajo Housing Authority (NHA) and Navajo Housing Services (NHS) manage and provide low-income housing to Navajo families to rent; however, Navajo families opportunities to rent a housing unit would minimize. Currently, NHA and NHS' waiting list for homes will be dramatically reduced because Navajo families are ineligible. Navajo families will separate and experience involuntary displacement. Overcrowding of homes will factor into the increasing homelessness, adding to the Navajo Nation's housing crisis.

##### **Recommendation**

The Navajo Nation recommends that each child and young mother receive AFDC and housing benefits. Many Navajo families will become homeless and Navajo families will have to involuntarily separate.

##### **Title I, Section 108: Grants to States for Assistance to Children Born Out-of-Wedlock**

Section 108 authorizes States' flexibility and resources in providing services and activities to discourage out-of-wedlock births and care for children born out-of-wedlock. It also authorizes States to utilize funding in many forms such as establishing orphanages and group homes.

The Navajo Nation opposes State control of this matter, unless the unique position of Indian tribes are considered. It would have a negative impact on Navajo children who reside in urban areas. Some States fail to recognize the ethnic identity of Navajo children and disregard the provisions of the Indian Child Welfare Act that provide Navajo children rights to be placed with a Navajo family or relatives. Consequently, Navajo children would either be adopted by non-Navajo families or be placed under the guardianship of the State in orphanages or group homes. These State programs infringe upon the rights of Navajo

children and Federal law. Many Navajo children would be emotionally scarred if this provision is adopted without specific safeguards to tribal interests.

#### **Recommendation**

The Navajo Nation recommends that all States be mandated to create an Indian Child Welfare Office that would effectively identify Indian children, and refer them to the appropriate tribal Indian Child Welfare program. In that respect, the Navajo child will be returned to its respective tribe, family and/or clan.

#### **Title II, Section 202: Work Program**

Section 202 requires recipients to participate in a work program, regardless of their physical or mental condition. Section 202 also provides States the authority to impose sanctions, determine "satisfactory" participation, and reduce welfare benefits of the individual.

The Navajo Nation opposes the work requirement of individuals and disagrees with the States authority to impose sanctions, to determine satisfactory participation and to reduce benefits of the individual. Navajo individuals required to participate in the work program will encounter many difficulties in participating due to the nature of the reservation economy; thereby, increasing the States opportunities to sanction or terminate that Navajo individual's benefits. States will find it difficult to operate a work program on the reservation because of the lack of infrastructure to house the work program. Many of the work programs then will be located off the reservation, in border towns, presenting transportation problems.

The Navajo individual must travel great distances for a work program. Many Navajo people do not own a vehicle or have extra spending money to purchase gas for the round trip. To get to the work program, the individual must obtain a vehicle or ride from a relative and coordinate the work schedule with the relative's daily activity. In many cases, the schedules will not coincide which leaves the individual without transportation. Lack of transportation combined with the involved hours of the work program would not equal the benefits received. It will discourage many individuals from participating. The States would reduce and eventually terminate the Navajo individual's benefits because the individual failed to "satisfactorily" participate in the work program, due to factors beyond their control.

#### **Recommendation**

The Navajo Nation recommends that Indian people who reside on Indian reservations be exempt from the work program because many Indian people will lose their benefits.

#### **Title II, Section 202: the Time Limit Provisions**

In Section 202, Subsection (B)(ii), paragraph (F) limits AFDC benefits to a family for a total of 60 months (five years); thereafter, the family is permanently removed from the welfare rolls. Paragraph (E) provides States the option to terminate all benefits to individuals who have received AFDC for as few as 24 months (2 years). Paragraph (D) limits education and training services to a maximum of 24 months. Time limit provisions do not exempt minors, the elderly, mentally or physically disabled, and persons responsible for an incapacitated family member.

The Navajo Nation opposes the time limits provision outlined in this section as it would disproportionately impact the Navajo people. Time limits penalize Navajo individuals who are actively seeking employment in an unusually depressed economy. The short time period imposes difficult hardship on an individual to search for a job in an area with a particularly high unemployment rate. In effect, the individual and family will exhaust its' welfare benefits with little or no alternative, increasing Navajo people's chances of becoming destitute. Essentially, time limits penalizes the Navajo people for residing on their homeland, the Navajo reservation.

Time limits threaten the Navajo Nation's efforts to stimulate its' economy. The drafters of the bill assume that the Navajo reservation provides adequate employment opportunities and regular public transportation. As noted above, the Navajo reservation has scarce economic development to provide jobs due to the lack of infrastructure (paved roads, private sector business, banks, etc.). Essentially, time limits imposed without

providing work opportunities would worsen the position of many vulnerable Navajo families.

Time limits hinder education and training opportunities. The Navajo people already experience limited formal education and language barriers that prevent many Navajo people from obtaining employment and seeking educational opportunities off the reservation. It also imposes requirements on existing education and training programs to abide by a time limit like JOBS. The Navajo JOBS program provides education and training to AFDC individuals who are functionally illiterate and effectively assists them by providing limited child care services. The JOBS program is one of the limited programs Navajo AFDC recipients have to participate in education and training programs. Since these time limits will reduce the window of opportunity to participants in training programs, time limits combined with the proposed federal spending cap would create an increasing unskilled Navajo work force.

Furthermore, the time limits would apply to Navajo individuals who are a minor, elderly, mentally or physically disabled person or a person who cares for the incapacitated. It punishes people for their unusual circumstance and ends their only source of support. Many of these people will become indigent.

#### **Recommendation**

The Navajo Nation strongly recommends that Navajo Nation, and other Indian tribes, be exempt from the time limit provision as it will devastate the Navajo Nation. State control of time limit provisions must include appropriate safeguards for Indian tribes. Despite savings States would receive of revamping the AFDC program, in the long-term, time limits would severely impact collection of third party reimbursements of Medicare and Medicaid funding by IHS and Indian tribes. Third party reimbursements provided funding to hire additional medical and health staff. Navajo Area IHS would lose approximately one quarter of its existing staff which is 800 Full-time equivalents (FTE). This FTE reduction in addition to the high unemployment rate with limited job training opportunities would further increase the unemployment rate and leave many Navajo families destitute.

#### **Title III, Sections 301: Cap on Growth of Federal Spending on Certain Welfare Programs, and 302: Conversion of Funding Under Certain Welfare Programs**

Title III, Section 301 proposes to place a Federal spending cap on several low-income programs such as AFDC, SSI, low-income housing programs, child support enforcement programs, at-risk child care subsidies and the proposed work program. Section 302 would terminate the entitlement status of these low-income programs whose funding level would thereafter be determined during the annual Federal appropriations process.

The Navajo Nation strongly opposes placing a Federal spending cap on low-income programs and terminating the entitlement status on spending for low-income programs. Spending caps will severely reduce many low-income programs in which Navajo people currently participate and would increase the risk of Navajo welfare recipients losing their welfare benefits, thereby increasing their economic vulnerability. More than any other change, this has the potential to negatively impact the Federal trust responsibility. While it is unclear what the impact will be on such programs as the tribal GA, Adult Institutional Care, and Child Welfare Assistance, it seems that these program will be dramatically affected either through the loss of their entitlement status or through proposed rescission as Congress addresses the Federal budget.

#### **Recommendation**

The Navajo Nation recommends that if spending caps are to be placed, the level must be designated so that it will not severely impact these low-income programs. These programs serve mostly our children, young mothers, elderly, and disabled.

#### **Title III, Section 301(b)(2)(I): Cap on Growth of Federal Spending on Indian Housing Improvement Grants**

Title III, Section 301(b)(2)(I) identifies the Indian Housing Improvement (HIP) grant as one housing program slated to receive a Federal spending cap whose funding level would be determined during the annual Federal appropriations process.

The Navajo Nation opposes a spending cap imposed upon the HIP program, as the HIP program funding would again be severely reduced. In Fiscal Year (FY) 1992, the HIP program budget experienced a sharp decrease by more than 30 percent, reducing new housing improvement from about 100 to 60 housing units per year. The FY '92 funding reduction created significant backlog in major housing renovation of over 10,000 houses. As previously referenced, further funding reduction will worsen the housing crisis Navajo Nation already experiences.

#### **Recommendation**

The Navajo Nation recommends that the HIP program be excluded from the proposed spending caps as it will increase the Navajo Nation's housing crisis.

#### **Title V, Section 501, Subsection (a), Paragraph (B), Subsection (b), and Subsection (c): Food Assistance Block Grant Program**

Section 501(a) establishes the block grant program, which includes "tribal organizations," and merges federal food assistance programs. Subsection (b) provides a distribution formula for allocation of food assistance grants among the States. Paragraph (B) provides that .24 percent shall be reserved for grants to "tribal organizations" that have governmental jurisdiction over geographically defined areas and shall be allocated equitably by the Secretary of Agriculture among such organizations. Subsection (c) requires that States, and presumably "tribal organizations," adopt certain minimum allocation formulas for certain categories of expenditures and minimum work requirements.

The Navajo Nation opposes the block grant approach and merging Federal food assistant programs that would include Food Stamps, WIC, "Meals-On-Wheels" and school lunch programs. The set-aside amount for "tribal organizations" of .24 percent fails to adequately provide funding for food and nutrition programs the Navajo Nation currently administers and the additional food programs proposed. Due to the unique reservation economy, the Navajo Nation opposes the minimum allocation formula that would require certain percentage of expenditures and minimum work requirements because it would increase existing hardships experienced by Navajo people.

The block grant measure would severely reduce funding levels of current programs and merging food assistance programs obstructs the Navajo Nation's current management of food and nutrition programs. The proposed funding level will be too inadequate to accommodate more food programs especially with minimum allocation requirements. Moreover, reduced funding threatens unemployment of current program employees, where unemployment is already high. Consequently, a decrease in the funding level infringes upon the Navajo Nation's efforts to meet basic needs of its people.

#### **Recommendation**

The Navajo Nation recommends that Indian tribes continue to receive direct federal funding for food and nutrition programs at a 5% set-aside of appropriations of Food Assistance Programs. The Navajo Nation also recommends that the Indian tribes and the Secretary of Agriculture work together and define the allocation formulas for expenditures and work requirements as they pertain to Indian country.

#### **Title V, Section 505: Repealers; Amendments**

Section 505 repeals the Food Stamp program which will be merged into a Federal Food Assistant block grant to States.

The Navajo Nation opposes the repeal of the Food Stamp program and the termination of its entitlement status. States would be authorized to redefine the eligibility criteria and accept only those who qualify for food stamps potentially, excluding many recipients. The States would also designate sites where vouchers could be exchanged and possibly rule out convenience stores. For many Navajo families, convenience stores are often the only accessible stores because most grocery stores are located off reservation, usually in border towns. Additionally, the bill fails to specify how States would implement cuts; thereby, greatly decreasing the likely success of Navajo Nation's current efforts to establish a Navajo Nation Food Stamp Office. Tribal input is critical given the unique economic conditions faced by the Navajo Nation. There must be some quantity of tribal involvement, both to determine tribal needs and to fulfill the Federal responsibility.

Some eligible Navajo people already fail to receive food stamps. The Food Stamp program which is administered by the States provides benefits to approximately 67,955 Navajo recipients. Yet, that figure compared to 120,000 (56 percent) Navajo individuals who live below the poverty level indicates that 52,045 eligible individuals fail to receive benefits. Under Federal control of Food Stamps, the Navajo do not possess minimal food purchasing power, State control of Food Stamps dissolve the opportunity of minimal food purchasing power. The Navajo Nation Food Stamp Office will assist many eligible Navajo families by providing a source to obtain food purchasing power, safeguarding their health, and raising their nutrition level.

#### **Recommendation**

The Navajo Nation recommends that the bill include a provision that would allow the Navajo Nation to administer its own food stamp program on a demonstration basis. The Navajo Nation and the Secretary of Agriculture would then negotiate the budget, quality control structures, technical assistance and the like as it pertains to an Indian tribe. This provision would allow the Navajo Nation and the Federal government an opportunity to meet the needs of the Navajo people.

This program could provide a uniform system (electronic debit card) and simplify requirements on eligibility criteria of Navajo people who reside in three States. It could enable the Navajo Nation to coordinate its nutrition and food supplement services with the Food Stamp program. Additionally, it could provide employment opportunities for Navajo people. Such a program would determine its eligibility criteria, applicable to the unique family structure of the Navajo, and promote self-sufficiency, well-being and employment. The Navajo Nation has the basic infrastructure to administer Food Stamps to the Navajo people and has demonstrated effective management of food and nutrition programs such as WIC for over ten years.

#### **Title VI, Section 601: Option to Convert AFDC into a Block Grant Program**

Section 106 provides States with the option to receive AFDC funding through block grant measures "to carry out any program established by the State to provide benefits to needy families with dependent children." The condition is that the block grant will be frozen at 103 percent for fiscal year 1994 funding levels with no adjustment for inflation.

Navajo Nation opposes the States' option to receive AFDC block grants which would authorize States the flexibility to redesign their AFDC program and possibly alter eligibility criteria unless there is a requirement for appropriate tribal input and participation in developing these criteria. Currently, some eligible Navajo people, who reside on the reservation, do not receive welfare benefits that many States administer. Some States overlook serving tribal areas or providing services to tribal governments, taking the position that serving the Navajo Nation and other Indian tribes is a "federal issue." State officials are "discouraged" by the language barriers involved with assisting Navajo people for welfare benefits and the remoteness of the Navajo reservation in follow-up services. In effect, this type of response only increases the poverty level for many Navajo families and forces the Navajo Nation and Indian tribes to provide assistance with their limited resources. It also demonstrates the difficulties which would be exacerbated by increased State control. Navajo Nation is in the best position to assist its own people.

#### **Recommendation**

Should Congress pursue block grant measures, the Navajo Nation strongly recommends that the Navajo Nation, along with other Indian tribes, must be recognized as "states" for the purpose of receiving direct funding; thereby, authorizing the Navajo Nation to receive AFDC funding to administer its own AFDC program. Additionally, Congress could expand the scope of application of P.L. 93-638, as amended, to encompass all Federal agencies. Either option would allow the Navajo Nation, and other Indian tribes, the flexibility to design its welfare program and coordinate the AFDC program with existing programs. Alternatively, the Navajo Nation recommends that states be mandated to specifically include the needs of Indian tribes and urban Indians as they are also citizens of that respective state.

#### **Title VII: Drug Testing For Welfare Recipients**

Title VII, section 701 provides States the authority to determine whom shall participate in drug or substance abuse treatment as a condition to receive welfare benefits.

The States would have the authority to determine what is an appropriate treatment program and satisfactory participation of the individual.

This section provides enormous authority to States to determine who is an addict and what is considered an appropriate treatment program and "satisfactory" participation. While the Navajo Nation supports treatment for substance abusers, we do not support giving States the broad latitude to make many of these determinations with respect to tribal populations without tribal involvement. Substance abuse is a disease. Navajo Nation is concerned that recognition of alternative, cultural, and traditional methods of substance abuse treatment will be overlooked. Lack of recognition would increase prospects of Navajo people losing benefits because Navajo recipients choose a traditional method of treatment.

The Navajo Nation's Department of Behavioral Health Services provides out-patient counseling for substance abuse through a holistic approach. This holistic approach attempts to heal the person's mind, body, and spirit by using a traditional Navajo medicine person and counselor. Often, the Navajo client's family is involved. Many Navajo clients prefer the holistic approach because it utilizes the Navajo language and culture to bring the abuser into harmony with himself, other people and the world. The Navajo Nation believes that this holistic approach is the most effective method for substance abuse; however, a shortage of qualified counsellors and resources prevents additional outreach of the more isolated communities. Without recognition of these factors, State-controlled programs would dismiss an appropriate, effective treatment modality.

#### **Recommendation**

The Navajo Nation recommends that IHS and Indian tribes provide input on treatment of substance abuse because IHS and Indian tribes have the knowledge and experience of Indian reservation life and the existing treatments of substance abuse. Additionally, States be mandated to recognize alternative, cultural and traditional methods of substance abuse treatment. Moreover, Indian tribes and IHS must continue to receive adequate funding for personnel and other resources.

#### **CONCLUSION**

For all the reasons we have discussed above, we urge Congress to clarify congressional intent of Indian tribes and tribal organizations as it pertains to Welfare Reform. H.R. 4's application to the Navajo Nation would be devastating to families and children and will have not accomplish deterrence from welfare rolls. Rather it would further increase poverty. The impact will disproportionately affect and disparately impact Navajo people. We urge Congressional members to seriously consider our comments and recommendations and effectively respond to the needs of the Navajo people.

The bill must acknowledge Indian tribes as distinct sovereign governments with the authority to participate and administer several federally funded programs. The Navajo Nation has demonstrated its efforts to move forward and stimulate its economy and create jobs. The Navajo Nation also wants to continue administering and controlling its federally funded programs, including welfare programs. The Navajo Nation knows the needs of our people and understand many of the problems experienced by Navajo Nation's residents. However, the Navajo Nation needs the financial support to effectively respond to the needs and concerns of its people. Options such as expansion of P.L. 93-638, as amended, and a set-aside funding further the policy of self-determination and the government-to-government relationship. The Federal trust responsibility and treaty obligations can be preserved while increasing local control and efficiency - however, to achieve these will require amendments to the bill that would reflect the unique position of tribes.

The Navajo Nation appreciates the opportunity to provide the our comments and recommendations on H.R. 4. We urge the Subcommittee members and other Congressional members to extend their commitment to supporting Navajo Nation in our efforts to become self sufficient.

THE NEW MEXICO CITIZEN REVIEW BOARD PROJECT  
STATE ADVISORY COMMITTEE  
REPORT TO THE HOUSE WAYS AND MEANS COMMITTEE

STATEMENT TO THE HOUSE WAYS AND MEANS COMMITTEE  
FEBRUARY 4, 1995

THIS STATEMENT IS SUBMITTED BY THE CITIZEN MEMBERS OF THE STATE ADVISORY COMMITTEE OF THE NEW MEXICO CITIZEN REVIEW BOARD PROJECT. THE STATE ADVISORY COMMITTEE IS MADE UP OF REPRESENTATIVES FROM VOLUNTEER BOARDS WHICH REVIEW CASE WORK FOR ALL CHILDREN IN OUT-OF-HOME PLACEMENT IN THE STATE OF NEW MEXICO.

This statement testifies to the effectiveness of citizen review:

in promoting swift permanent placement and quality service to the children  
citing specific case examples of the New Mexico Citizen Review Boards  
where review has been effective  
and  
as a cost effective mechanism to hold public systems accountable for the  
expenditure of tax dollars

This statement also:

promotes the need for specific standards, oversight and accountability for the  
expenditure of tax dollars  
and  
*urges the Congress to continue to protect children by requiring case by case  
reviews with an independent organization using trained volunteers which reports  
its findings to the Judges, the State and the Legislature, with strong penalties  
and/or incentives to compel compliance*

The New Mexico Citizen Review Board Project is part of the system of checks and balances established to review the cases of children in out-of-home placement and to assess efforts and progress made toward permanency planning. Today, there are 200 volunteers who serve on 27 review boards across the state. Each review board meets once a month to reassess the case plans of children who are in the custody of the state. Every child in state custody for longer than six months is subject to citizen review. Cases are reevaluated every six months for as long as the child remains in custody. Findings and recommendations are summarized and provided to the appropriate judges to assist them in making decisions regarding the welfare of each child.

In fiscal year 1993-1994 the CRB Project reviewed 1682 case plans concerning 3242 children. Volunteers spent approximately 14,417 hours on these activities. The volunteer boards are supported by a small central office with three full time paid staff and six part time paid staff. There should be no doubt that utilizing volunteers to encourage permanency in the lives of children clearly results in significant short and long term savings to the State. Foster care and other more specialized placements needed as children remain longer and longer in the state's custody are always more expensive than adoption or returning the child home with services.

Time is also a crucial factor. When children remain in foster care several years, and especially if they experience numerous placements, they suffer from that lack of attachment and permanence. This can result in behavior problems, difficulty in school, problems with relationships, and more increasingly restrictive placements. It is

acknowledged that the state does not make a good parent. There is also a direct correlation between the amount of time a child spends in out-of-home care and the likelihood that the child will spend its adult life in similar settings, prison, mental institutions and homeless shelters.

The CRB provides a vital link between agencies and organizations. All those with information about what may be in the best interest of the child are invited to a review. This may include the children themselves; biological parents; foster parents; the parent's attorneys; the child's legal representative; therapists; social workers, supervisors; and teachers. It also provides a unique opportunity for the community to become involved in an important social issue. It is important that communities understand the issues involved with dysfunctional family situations.

The combined knowledge, experience, training and perspective of Citizen Review Board volunteers are assets to the Protective Services Department and the Judiciary. This partnership establishes a basis for focused advocacy within the community. As well as seeking permanency for the children, the reviews serve to assist in informing parents and others involved of their rights and responsibilities regarding a dependent child in foster care. Through recommendations to the Governor, the Legislature, the Courts and other related executive agencies, the process works to improve the quality of services provided to the children in the State's custody. The Review Board Project's independence allows these recommendations to be made to any part of the system without conflict of interest.

Other benefits of to the state of the Citizen Review Board Project include:

- Welfare Training and opportunities for conversation and collaboration with the judiciary, child protective agencies and other advocates
- Review Boards that are reflective of the communities they serve. This gives them insight into the issues that may differ from those of a social worker not familiar with the culture and circumstances in the particular community.
- Information collected by the boards allow the Citizen Review Board Project to track data that even the state does not track, ie. the child's age; sex; race; number of placements; permanency plan; reason for entry into custody; number of social workers and barriers to permanency.

Examples of success due to citizen review include:

- "Ann", who was removed from her mother's care for abuse and neglect, was placed in a foster home where a relative, living in the home was arrested for dealing "crack" from the home. The child was returned to the parental home at the recommendation of the CRB because allegations of abuse and neglect were not substantiated after the child had been in the foster home for an extended period.
- In one instance the review board disagreed so strongly with the plan of the Department that they attended case hearings and were asked to testify by the Judge. The Department felt strongly as well and requested an in-house psychologist to review the case. Their own psychologist agreed with the recommendation of the citizen review board. The plan was subsequently changed.
- Frequently Judges will postpone hearings until a citizen review is held in order to have the review before them.

**THE STATE ADVISORY COMMITTEE THEREFORE URGES THE CONGRESS TO CONTINUE TO PROTECT CHILDREN BY REQUIRING CASE BY CASE REVIEWS WITH AN INDEPENDENT ORGANIZATION USING TRAINED VOLUNTEERS WHICH REPORTS ITS FINDINGS TO THE JUDGES, THE STATE AND THE LEGISLATURE, WITH STRONG PENALTIES AND/OR INCENTIVES TO COMPEL COMPLIANCE.**

[THE EXHIBIT REFERRED TO WILL BE RETAINED IN THE COMMITTEE FILES.]



Submitted by the State Advisory Committee of the Citizen Review Board Project of the State of New Mexico and the New Mexico Citizen Review Board Project, P. O. Box 37290, Albuquerque, NM 87176-7290, (505)883-1450

Anita Van Dame, Executive Director

*Anita Van Dame*

JOHN TIBBS	1708 Janeway, Clovis, NM 88101	(505) 769-1935
SANDRA KHAN	55 Rockpoint Pl. NE, Albuquerque, NM 87122	(505) 858-6420 <i>Sandra Khan</i>
THERESA SANDOVAL	1505 Gschwind SW, Albuquerque, NM 87105	(505) 831-6168 <i>Theresa Sandoval</i>
DOLORES WALKER	2801 Dallas, NE, Albuquerque, NM 87110	(505) 884-2222 <i>Dolores Walker</i>
BEN GODAIR	1931 La Veta Dr. NE, Albuquerque, NM 87110	(505) 266-0245
JENNIFER NEIL	203 Chamisa, Los Alamos, NM 87554	(505) 662-7634
JOE PAULL	#32-A Old Arroyo Chamisa, Santa Fe, NM 87505	(505) 983-6501 <i>Joseph Paull</i>
GINGER MCLAMORE	3111 Mesa Drive, Farmington, NM 87401	(505) 327-6502 <i>Ginger McLamore</i>
CAROLYN TOENNIGES	1807 Debra St, Las Cruces, NM 88001	(505) 524-8465 <i>Carolyn Toenniges</i>
CAROLE RUEBUSH	P.O. Box 1048, Deming, NM 88031	(505) 546-3307 <i>Carole Ruebush</i>
DIANE BIRD	P.O. Box 8, Santo Domingo Pueblo, NM 87052	(505) 456-2214
SYLVIA CASAREZ	1913 S. Richardson, Roswell, NM 88201	(505) 622-7563 <i>Sylvia Casarez</i>
NANCY WORLEY	1511 Live Oak, Carlsbad, NM 88220	(505) 887-3729
DEDE MCCRARY	3100 Northwest Dr., Hobbs, NM 88240	(505) 392-7890 <i>Dede McCrary</i>
FREDDIE BAKER	3000 Hopi Tr., Alamogordo, NM 88310	(505) 434-5707 <i>Freddie Baker</i>
VICTOR MCINTYRE	708 S. Puerto, Gallup, NM 87301	(505) 722-2443 <i>Victor McIntyre</i>
DOLORES PERALTA	P.O. Box 1917, Taos, NM 87571	(505) 758-4905 <i>Dolores Peralta</i>
EVA WOHL	HC 69, Box 47, Sapello, NM 87745	(505) 454-8381
MARGARET RECORD	628 Lincoln, Raton, NM 87740	(505) 445-5974
JUDY HASS	324 Main, Clayton, NM 88415	(505) 374-2471
ARNETT GARCIA	1214 Johnson St., Grants, NM 87020	(505) 287-5069 <i>Arnett Garcia</i>
KAREN TREACY	903 School of Mines, Socorro, NM 87801	(505) 835-2597
SALLY EVANS	Rt. 9 Box 72 EE, Santa Fe, NM 87505	(505) 984-1310 <i>Sally Evans</i>
JODY BAILEY	P.O. Box 149, Playas, NM 88009	(505) 436-2620
NORMA TAPIA	8 Franks Place, Los Lunas, NM 87031	(505) 865-3735 <i>Norma Tapia</i>
DELFINO TRUJILLO	2606 Campo Verde, Santa Fe, NM 87505	(505) 471-3539 <i>Delfino Trujillo</i>
SILVIA SIERRA	710 Foster Drive, Las Cruces, NM 88001	(505) 525-2435
RICK RIVERA	101 W. Animas Rm 104, Farmington, NM 87401	(505) 327-2861 <i>Rick Rivera</i>

*Laura Martin* 100 Lynn Clovis, NM 88101 (505) 763-6890  
*Shirley Van Doren* 3939 Rio Grande, NW 87107 (505) 344-0400 Board member  
*Jaime Fitzgerald* 2257 Calle Encique, Santa Fe, NM 87505 (505) 820-0876  
*Vera L. Kugel* 4228 Bradburn Ln. Santa Fe, N.M. 87505 (505) 438-9738  
*Julia Matheson* 2340 Batulph Rd. Santa Fe, N.M. 87505 (505) 983-4653

STATEMENT PREPARED FOR THE  
SUBCOMMITTEE ON HUMAN RESOURCES  
HOUSE COMMITTEE ON WAYS AND MEANS  
February 2, 1995

By  
LEO W. NG  
2428 Judah Street  
San Francisco, CA 94122

To The Committee Hearing Testimony on Title IV of HR 4:

On behalf of myself as well as my parents who are legal permanent residents of the United States for about 10 years, I urge you to vote "NO" on the proposed legislation which would discriminate against and punish all the legal residents who have paid taxes and contributed to this society over the many years.

I came to the U.S. from Hong Kong as a LEGAL IMMIGRANT when I was 11 years old. Even though I was not old enough to work, I knew that my parents were working very hard to raise a family with two children. They were also being loyal member of this society by paying taxes and obeying all the laws.

Now at the age of 21, I am a full-time student in college and working part-time in a non-profit organization as a youth worker. I am also paying my own taxes now. I often wonder what will happen when I become 65. Will I be able to receive Medicare or retirement benefits? Hearing about the Contract of American's Personal Responsibility Act Proposal, I even worry even more about not just my own future but also the future of my children.

You see, cutting over 60 programs and services will limit the future of our next generation. That would mean my children would not get any loans for higher education and may end up not having a future at all.

Because I am a youth worker, I know better than anyone else that our youth today are the key to our future. We need to do everything we can to mature and educate them. Otherwise there will not be a future for any of us.

Once again, I urge you to **VOTE NO**.

**TESTIMONY OF SGT. MAJ. MICHAEL F. OUELLETTE, USA, (RET)  
NON COMMISSIONED OFFICERS ASSOCIATION OF THE  
UNITED STATES OF AMERICA**

Mr. Chairman. The Non Commissioned Officers Association of the USA (NCOA) is most appreciative for the opportunity to present testimony to the subcommittee concerning Supplemental Security Income eligibility reform. NCOA is a federally-chartered organization with a membership in excess of 160,000 noncommissioned and petty officers serving in every component of the five Armed Forces of the United States; active, national guard, reserve, retired and veterans. NCOA is fully aware of the eligibility questions that currently surround the SSI Program and understands the purpose of the subcommittee hearing on the subject. However, NCOA wants only to correct two inequities in SSI eligibility that have a devastating impact on the families of military members serving overseas as directed by the Armed Forces of the United States. Hopefully, the subcommittee will be able to alleviate these inequities as efforts are made to reform current eligibility criteria.

**BACKGROUND**

Disabled children of low income military families stationed overseas became eligible for Supplemental Security Income (SSI) benefits as part of the Omnibus Budget Reconciliation Act of 1990. Prior to then, these families and their qualifying children lost their eligibility simply because they were overseas on the orders of the U. S. Government.

Former Representative Jim Slattery (KS) responded to the plight of a young soldier on orders to Germany who was to be accompanied by a disabled daughter who qualified for SSI benefits prior to receiving orders. Rep. Slattery's legislation permitted the military member with a qualifying disabled dependent to continue to receive SSI benefits while stationed overseas and was adopted as part of OBRA 1990.

Unfortunately, the language of Mr. Slattery's OBRA 1990 amendment restricts SSI payments to those children whose disabilities are diagnosed before the family travels overseas. The wording of the law excludes payments to American children who are born disabled overseas or whose qualifying disability is not diagnosed until the child arrives overseas.

According to the Department of Defense and the Social Security Administration, fewer than 60 military families are affected by this defect in law. Yet the benefits are extremely important to those families.

NCOA urges the subcommittee to remove the offensive provision from Section 1382(f) of Title 42 thus allowing all eligible military families to receive SSI payments while stationed overseas.

The second and very similar problem concerns adult military family members who are eligible for SSI benefits within the United States but not when living with their military sponsor in an overseas area. It is obvious that the number of servicemembers with a disabled adult family member; have a family income low enough to qualify for SSI benefits, and who would be stationed outside the United States accompanied by the disabled adult family member would be minuscule. However, the importance of SSI benefits to the economic well being of the family is no less for these military members than those with disabled children. Again a simple change to Title 42 would alleviate this problem.

**CONCLUSION**

NCOA continues to be astonished that our government would penalize military families simply because they were following orders! As the military services are being significantly reduced in numbers, the abilities and skills of each military member becomes even more important. This Country cannot afford to lose for a day or a week or a month a military member who is critical to the mission of his/her unit. We also do not believe the citizens of this Country expect military families to be excluded from the assistance offered by SSI eligibility simply because the services of the military member are needed at a duty station outside the United States. Consequently, positive action on the part of the subcommittee would eliminate obvious eligibility inequities at minimal cost to the overall SSI Program. The Association urges the subcommittee to act positively on the changes in eligibility we have recommended.

Thank You.

## TESTIMONY OF NOW LEGAL DEFENSE AND EDUCATION FUND

The Personal Responsibility Act ("PRA") focuses on "illegitimacy" as a purported cause of poverty. Among other things, the Act proposes to address "illegitimacy" by denying Aid to Families With Dependent Children ("AFDC") to children born to teen mothers out-of-wedlock. Only if the mother married the biological father or an adoptive step-parent would the child be eligible to receive AFDC. This bar would apply not only to children born to mothers receiving AFDC at the time of the birth, but to all children born out-of-wedlock who might at some later time need the subsistence support that AFDC provides. As discussed below, this proposal and others like it that condition receipt of welfare benefits on birth status are (1) unconstitutional; (2) unsupported by relevant social science data; and (3) likely to harm children.

### Unconstitutionality

In Levy v. Louisiana, 391 U.S. 68 (1968), the U.S. Supreme Court first struck down a statute discriminating against "illegitimate" children. In Levy, the Court asked "[w]hy should the illegitimate child . . . be denied . . . rights which other citizens enjoy?" and held that such denial was unconstitutional. The Court has reaffirmed this view in subsequent cases, particularly when the purpose of the discrimination is to affect the behavior of the child's parents. For example, in Clark v. Jeter, the Court invalidated a classification burdening illegitimate children for the sake of punishing the illicit relations of their parents, because "'visiting this condemnation on the head of an infant is illogical and unjust.'" 486 U.S. 456, 461 (1988) (O'Connor, J.) (quoting Weber v. Aetna Casualty and Surety Co., 406 U.S. 165, 175 (1972)). Indeed, the Court has often held that

imposing disabilities on the illegitimate child is contrary to our basic concept of our system that legal burdens should bear some relationship to individual responsibility or wrongdoing. Obviously, no child is responsible for his birth and penalizing the illegitimate child is an ineffectual -- as well as unjust -- way of deterring the parent.

Weber, 406 U.S. at 175 (Powell, J.); see also Trimble v. Gordon, 430 U.S. 762, 769-70 (1977) ("we have expressly considered and rejected the argument that a State may attempt to influence the actions of men and women by imposing sanctions on the child born of their illegitimate relationships . . . [C]hildren can affect neither their parents' conduct or their own status").

The "illegitimacy" provision of the PRA violates this established Supreme Court case law by denying benefits to children based on a birth status which they cannot control, in order to deter behavior by their parents.

### Ineffectiveness

The Child Exclusion provisions of the PRA<sup>2</sup> rest on the assumption that benefit levels are determinative of poor individuals' childbearing decisions, i.e., that denying benefits will alter these decisions. However, numerous studies have demonstrated that childbearing decisions are much more complex, and are not significantly influenced by AFDC benefit levels. In light of this data, the PRA's denial of benefits to poor children born out-of-wedlock is unlikely to be effective in achieving the drafters' goal of deterring teen pregnancy. Instead, as set out more fully infra, it will simply harm innocent children.

The scholarly studies concerning the effect of benefit levels on welfare recipients' birthrates and childbearing decisions are numerous

<sup>2</sup> The PRA also denies AFDC benefits to children born to parents receiving welfare and children for whom paternity is not established from receiving AFDC benefits.

and remarkably consistent in their conclusions. Most recently, Greg Acs of the Urban Institute has published data indicating that receipt of AFDC has a "quite modest" impact on first births and out-of-wedlock births, while other factors such as education and demographic characteristics are much more likely to significantly affect women's childbearing decisions. Gregory Acs, The Impact of AFDC on Young Women's Childbearing Decisions, 14, 21 (The Urban Institute, Washington, D.C., 1993). Further, Acs notes that the impact of supplemental AFDC for additional children on the decision to bear children is "statistically insignificant." Id. See also William J. Wilson & Kathryn M. Neckerman, "Poverty and Family Structure," in Sheldon H. Danziger & Daniel H. Weinberg, eds., Fighting Poverty: What Works and What Doesn't 249 (1986) (comprehensive studies reveal no relationship between receipt of welfare and pregnancy; in fact, several studies indicate that welfare recipients are less likely to get pregnant than non-recipients).

In short, "welfare simply does not appear to be the underlying cause in the dramatic changes in family structure of the past few decades." David Ellwood & Mary Jo Bane, The Impact of AFDC on Family Structure and Living Arrangements (Working Paper No. 92A082, 1984). See also Congressional Budget Office, Sources of Support for Adolescent Mothers 43 (1990) ([s]tudies of the effects of AFDC on the fertility of female teenagers find no evidence that benefit levels encourage childbearing"). This marked absence of a significant relationship between additional benefits and births likely holds true for those not receiving AFDC as well. Significantly, rates of out-of-wedlock births have been rising in all sectors of the population and internationally at comparable rates; AFDC is not certainly not driving this trend among upper class parents or parents in other countries. Nevertheless, under the PRA, women and children not receiving AFDC at the time of the out-of-wedlock birth will also be subject to a life-long child exclusion. Harm

While the PRA's child exclusion provisions are more extreme than any currently in effect, the experience of AFDC recipients subject to New Jersey's exclusion of children born to mothers receiving welfare is instructive.<sup>3</sup> The exclusion of children based on "illegitimacy" will likely have the same impact on poor families.

In New Jersey, the significant AFDC reductions that occur when an excluded child is born have had a demonstrable impact on the life of the newborn baby, her siblings, and the child's parents. Families in New Jersey have experienced particular difficulty in obtaining adequate housing because their AFDC grant has been reduced to a level that is far below rents typically charged for suitable housing in their communities. Because New Jersey AFDC recipients must use all or nearly all of their AFDC for rent, the child exclusion has led to evictions, loss of housing, and homelessness.

The benefit reduction from the child exclusion has also affected AFDC recipients' ability to obtain other essentials of daily living for their babies and other children, such as medicine not covered by Medicaid, utilities, clothes, diapers, toiletries, furniture, and transportation. The inability to obtain these basic necessities has had a direct effect on excluded children's health. For example, one of the plaintiffs in C.K. v. Shalala could not afford over-the-counter medicines to treat flu, earache, fever and diarrhea suffered by his baby. Further, affected AFDC recipients often have insufficient food for their children, because food stamps do not meet a full month's costs.

These extreme hardships are all caused or exacerbated by denial of subsistence-level AFDC benefits to excluded children. The same

<sup>3</sup> NOW LDEF, with the Legal Services of New Jersey and the ACLU of New Jersey, represents a class of plaintiffs challenging New Jersey's child exclusion provision in the case of C.K. v. Shalala, No. 93-5354 (NHP).

hardships and harm to children can be expected to arise if the "illegitimacy" child exclusion of the PRA is adopted.

#### Alternatives

Rather than focus on measures that punish children for their birth status, sound public policy should focus on alternatives that will provide long-term options for poor teens. As Marian Wright Edelman of the Children's Defense Fund has said, "the best contraceptive is a real future."

Our education system fails to fully meet the needs of women and girls, especially those from low-income families. Research shows that most teen parents were performing poorly in school prior to their pregnancy. Poor grades, dropping out, and low self esteem have all been linked to sex-biased stereotypes as well as teen pregnancy. Policymakers should focus on positive programs to encourage girls to achieve by providing viable training and job opportunities, the possibility of a college education, and resources to enhance child and youth development. Access to family planning counselling should also be a component of a comprehensive program to address teen pregnancy. If girls view their life options as limited, early motherhood appears to be more attractive. The exclusions proposed in the PRA will only serve to limit the options for both teen mothers and their children.

# CHILD EXCLUSION TASK FORCE

December, 1994

Dear Member of Congress,

As national, state and local organizations with a diversity of views on many issues, we are united in our efforts to **promote the health and welfare of America's children**. We came together this past year in opposition to welfare reform proposals that would allow states to deny benefits to innocent babies simply because they were born into families receiving AFDC. As the 104th Congress debates welfare reform, more punitive child exclusion proposals have appeared which could endanger the health and welfare of America's children. The following provisions would severely harm the children of already impoverished families:

- **WE OPPOSE PROVISIONS THAT WOULD DENY BENEFITS TO CHILDREN SIMPLY FOR BEING BORN INTO FAMILIES RECEIVING WELFARE.**
- **WE OPPOSE PROPOSALS THAT WOULD DENY BENEFITS FOR CHILDREN WHOSE PATERNITY HAS NOT BEEN OFFICIALLY ESTABLISHED BY THE STATE.**
- **WE OPPOSE ANY PROVISION THAT WOULD DENY BENEFITS TO THE CHILDREN OF UNMARRIED TEENAGERS.**

Our principal concern with excluding children from subsistence welfare benefits is that, if enacted, each of these provisions will hurt the children of already impoverished families. Years of social science scholarship makes it clear that people make childbearing decisions for complex and varied reasons. The promise of a tiny incremental gain in welfare benefits is not an inducement to have additional children. Family values will not be advanced by making it more difficult for poor mothers to provide for their children and escape from poverty. Any short-term fiscal savings gained by excluding children from receiving subsistence benefits will be outweighed by the long-term social costs of their impoverishment and the further deterioration of families already in distress.

We urge you to oppose these anti-child, anti-family provisions.

*Please contact Martha Davis of NOW Legal Defense and Education Fund at (212) 925-6635, Deborah Lewis, ACLU at (202) 675-2312 if you have questions or need more information.*

American Civil Liberties Union (ACLU)  
NOW Legal Defense & Education Fund

Advocates for Youth (formerly The Center for Population Options)  
American Association of University Women  
Americans for Democratic Action (ADA)  
American Friends Service Committee  
Association for Children for Enforcement of Support, Inc.  
BPW (USA)  
Boston Women's Health Book Collective  
Bread for the World  
California Homeless and Housing Coalition  
California Women's Law Center  
Catholics for a Free Choice  
Center for Advancement of Public Policy  
Center for Community Change  
Center for Constitutional Rights  
Center for Law and Social Policy (CLASP)  
Center for Women Policy Studies  
Center on Social Welfare Policy and Law  
Child Care Law Center  
Church Women United  
Coalition of Labor Union Women  
Coalition on Human Needs  
Connecticut Alliance for Basic Human Needs  
D.C. Rape Crisis Center  
Eighth Day Center for Justice, Chicago  
Feminist Majority  
Feminists for Life  
Food Research and Action Center  
Institute of Sisters of Mercy of the Americas, Leadership Team  
Interfaith Impact  
Jesuit Social Ministries National Office.  
Justice, Economic Dignity and Independence for Women (Utah)  
Labor Project for Working Families  
Legal Assistance Resource Center of Connecticut  
Los Angeles Coalition to End Homelessness  
Lutheran Office for Governmental Affairs, ELCA  
Maryland Food Committee  
Mennonite Central Committee, WDC  
Mississippi Human Services Coalition  
9 to 5: National Association of Working Women  
NARAL (National Abortion and Reproductive Rights Action League)  
NOW (National Organization for Women)  
National Abortion Federation  
National Association for the Education of Young Children  
National Association of Child Advocates  
National Association of Social Workers  
National Black Women's Health Project  
National Coalition for the Homeless  
National Consumers League  
National Council of Churches  
National Council of Jewish Women  
National Council on Family Relations  
National Jewish Community Relations Advisory Council  
National Low Income Housing Coalition  
National Welfare Rights and Reform Union  
National Welfare Rights Union  
National Women's Conference Committee  
National Women's Law Center  
Ohio Association of Child Caring Agencies  
Planned Parenthood Federation of America  
Pratt Institute Center for Community and Environmental Development (Brooklyn)  
Religious Coalition for Reproductive Choice  
Seamless Garment Network, Inc.  
Service Employees International Union  
Sigma Gamma Rho  
Unitarian/Universalist Association  
Unitarian/Universalist Service Committee  
United Church of Christ  
United Auto Workers, The International Union  
U.S. Steel Workers  
Woman Activist Fund  
WOMEN OF REFORM JUDAISM,  
The Federation of Temple Sisterhoods  
Women Lawyers Association of Los Angeles  
Women Work! The National Network for Women's Employment  
Women's Economic Agenda Project  
Women's International League for Peace and Freedom  
The Women's Law Center, Inc.  
Women's Legal Defense Fund  
YWCA of the U.S.A.



U.S. House Subcommittee on Human Resources  
Committee on Ways and Means

Written testimony of

Fernando Cheung,

Executive Director of the Oakland Chinese Community Council, Inc.

The Personal Responsibility Act (PRA), part of the Republican "Contract with America," would drastically restrict the eligibility of both legal and illegal immigrants for many basic and essential Federal programs. I am the Executive Director of the Oakland Chinese Community Council, Inc., a non-profit organization that provides a variety of health and human services to Chinese and Asian families in need. I wish to draw your attention to the unfairness of this legislation, and the impact it would have on many of the neediest and most vulnerable members of society -- the elderly, the newcomers, and those with limited language skills.

Some core principles and values are at stake in this proposed legislation. Those principles include an equal opportunity for those persons with the drive to pursue their dreams and protection for those persons who, through unavoidable circumstances, are unable to meet their basic human needs. Immigrants are some of the most ambitious and hard-working people in our country, but they face a variety of barriers such as unfamiliarity with language, social customs, and job networks. The federal programs that will be denied to immigrants, if this legislation passes, are those which provide the most basic services necessary for sustenance and survival, including assistance for housing and food.

The United States is largely a country of immigrants. Denying immigrants the right to basic services enjoyed by others who were lucky enough to be descendants of prior immigrants cuts against our traditions of fairness and equal opportunity for all. The proposed legislation discriminates against all immigrants, even those who are legally residing in this country, paying taxes, and playing by the rules our government has instituted. Through no fault of their own, legal residents in this country are forced not only to deal with the unique pressures of adopting to a new home, but are excluded from many of the services that others take for granted. The government already does little to help such persons integrate into society, but such legislation would make it near impossible for a new immigrant to adjust and succeed in this country. Furthermore, the children and grandchildren of these immigrants are the ones who may bear the ultimate burden of such discrimination, many who will go without adequate food, housing, and education.

Much of our work at the OCCC is devoted to providing health care services that would be denied to all immigrants under the Personal Responsibility Act. New immigrant families, senior citizens, and other individuals in need approach our Family and Elderly Service Units for information and referral so they can gain access to human and health services available elsewhere. The OCCC's Hong Fook Adult Day Health Care Program offers individualized health care and support services to frail seniors and adults with special medical needs in a licensed and certified site. This program encourages and assists its participants to lead full independent lives. It seeks to prevent or delay premature institutionalization of seniors. This is the only program of its kind in the area that offers language-appropriate service to the elderly and those with specialized medical needs. These medical services would not otherwise be affordable to our clientele.

Cases where we helped those in need include Grace Yang, the spouse of a resident immigrant alien who came into the United States with conditional resident status and suffered physical abuse. Grace had no friends and no family she could turn to: OCCC referred her to a shelter and put her in touch with legal assistance. Another case was Clarence Yip, the cook who worked nightshifts and was attacked by muggers on his way home. Clarence was hospitalized and was stuck with medical and ambulance bills: OCCC helped him apply for aid for victims of violent crime and other assistance. If the PRA legislation were in effect, neither of these persons would have received the timely assistance that enabled them to get back on their feet.

Besides being unfairly discriminatory, the proposed legislation sells out the future of America by choosing not to invest in immigrants, traditionally the lifeblood of this country. Under the present system, disadvantaged adult immigrants may participate in OCCC's Employment and Training Program funded by the Job Training Partnership Act. This program gives enrollees job skills and orients them to the labor market. They learn how to apply for jobs, write resumes, and interview with potential employers. For many of the enrollees, getting a job is a necessity because their families rely upon their success in the job market in order to provide food and shelter.

Take for instance, the story of Helen Wong, an Employment and Training Graduate. She says:

"Here in the States, people must work so hard just for life's basic needs. I had a high school education, a comfortable life. I dabbled in business ventures. I didn't need to come here (to the United States). But my husband's parents are getting on in age. So we came. When we first came over, I spent over a thousand dollars for my children's physical exams for school entrance. To help make ends meet I worked part time at a sewing shop. I used to attend class in the morning and then rush off to the sewing shop. At night when I washed my face or blew my nose, the color of the fabrics we were sewing that day would come out.

I am now working in a hotel. It is a lot of physical exertion but I do not mind. We have good benefits. I don't think I would have found my job without the training programs I attended. It was not easy juggling classes, a part time job and taking care of five kids. I am glad I went back to school. It gave me a foothold, a starting point. Confidence, learning how to do the right thing, becoming more willing to do new things, those are the things I got out of my training."

People like Helen, who want and need to work, will be unfairly excluded from programs that will help them become self-sufficient and contributors to society. What would have happened to Helen's five children if she had not been able to find a job to support them? The proposed legislation would be self-defeating in its larger goals of creating a more prosperous society by not investing in the future of America. Instead of creating opportunities for those persons who have already shown initiative by having left their familiar native soil for a country whose customs and culture may be completely alien to them, the proposed legislation seeks to punish them instead. We should reward initiative and drive by providing services that would better integrate immigrants and their children into the fabric of American society.

The mission of the OCCC is to provide services to families who are in need, and to empower the most vulnerable members in our community, especially the elderly. Two-thirds of our clientele are women and nearly three-fourths are 55 years of age and older. Ninety-five percent have annual incomes of less than \$15,000 per year. The proposed legislation would leave many of these persons destitute and without the social support and training necessary to gain independence and control over their lives.

Though over 100 corporations and individuals generously donate money to our organization every year, we depend on Federal and other government funding for many of our services. It is precisely those services that go to the most needy, the elderly and those with specialized medical needs, that would be hardest hit under the Personal Responsibility Act. Totalling only a small fraction of the Federal budget, these programs can have tremendous value to the immigrants who need them as a building block towards living a more fruitful life in the United States. I urge you not to allow the political backlash against immigrants to affect your judgment of the worth of these programs. Vote "No" against the Personal Responsibility Act and the Contract for America. Thank you for your consideration.

**TESTIMONY ON THE PERSONAL RESPONSIBILITY ACT  
BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES  
OF THE COMMITTEE ON WAYS AND MEANS  
JANUARY, 30, 1995**

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I am Joan M. Reeves, Commissioner, Department of Human Services, and Chairperson of the Children and Families Cabinet for the City of Philadelphia, Pennsylvania. I appreciate the opportunity to testify regarding the Personal Responsibility Act. For many years, those of us responsible for the delivery of services to poor families and children at the local level have recognized that the "welfare" systems need to be reformed. Our daily contacts with families are highlighted by the frustrations they face being in a system that discourages independence and the frustrations public employees face due to the myriad of regulations, laws and programs that are inconsistent, duplicative, fragmented and uncoordinated.

As you deliberate on the provisions of welfare reform, be aware that all the systems that provide services to poor families and children are interdependent. Changes in one impacts upon the others. Therefore, all federal laws and programs should be reviewed to determine the impact on public education, mental health, medical assistance, child welfare, law enforcement, labor and housing. Also, recall that reform efforts are taking place at the local level. A little over a year ago, Mayor Ed Rendell recognized the need to reform local government's efforts to improve the quality of life for families and children and established the Children and Families Cabinet. The Cabinet comprises 17 public agencies, including the School District. Its purposes are to better coordinate the delivery of services, to develop a Five Year Strategy for improving services and to initiate a network of Family Centers and Youth Access Centers in communities. These Centers provide comprehensive services to families, children and youth. Local advisory boards are involved in needs-assessment, program development and the selection of staff.

The Family Centers receive some funding from the Commonwealth of Pennsylvania and each Cabinet agency has contributed cash or in-kind donations. The Youth Access Centers are supported by the City's Recreation, Public Health and Human Services Departments.

Our child welfare system is being redesigned with focus on intensive family preservation, in-home services, shorter stays in foster care and early adoptions. We are intensifying our efforts in communities that have the highest rates of reports of abuse and neglect. With these approaches, we will improve the lives of the 173,478 children who receive AFDC assistance, the 24,000 children who receive child welfare services, and the 2,000 homeless children in Philadelphia. Any Federal legislation which makes these children more vulnerable than they are already will deter our continued efforts at the local level to protect and enhance the lives of our youngest citizens.

The proposed welfare reforms suggest two changes: firstly, how the government responds to people in poverty; and secondly, how people in poverty react to the causes and conditions which placed them there. There is a tacit assumption that these two, very different forms of change are linked, and will happen concurrently. If they do not - that is to say if the government's reform outraces the anticipated behavioral changes of current and potential welfare recipients - the unintended outcome may be a crisis in the child welfare system. Potential unintended outcomes may be more traumatic to children than the AFDC program as we now know it. I urge this Sub-Committee to consider the consequences to children as it drafts welfare reform legislation. Correcting the problems in the welfare system should not result in shifting children into other service programs. Welfare reform should not increase the cost of caring for children.

To illustrate my point: The Omnibus Budget Reconciliation Act of 1989 authorized EPSDT (Early Periodic Screening, Diagnosis and Testing) mental health treatment services as a benefit for children enrolled in Medical Assistance. Prior to that time, there had been no provisions in public law to pay for mental health care for children in poverty in Philadelphia. In this instance, the lack of Federal funding had a very unintended outcome: caring and loving parents would seek to give up the legal custody of their children to my Department because this was the only way we could pay for the services needed by these children. More recently, we experienced a situation where a child was being discharged from a local psychiatric hospital because his Medicaid benefits were exhausted. With no other option to care for her son, the mother was going to do what professionals unofficially advised her was her only

choice, refuse to pick up her son and force the hospital to turn him over to my Department. DHS, she was told, would be able to get her son the residential treatment he needed.

If Federal funding for pediatric and adolescent mental health services were rescinded tomorrow children would still continue to have mental health needs. The question would be how to structure the rescission to assure that: children in need would not be placed in greater harm's way; family life would not be disrupted; the cost of care would not be shifted to a different tax base; and, perhaps most important of all, that children in need not be denied the care and nurturing that they require.

I ask this Sub-Committee to provide these same assurances as it reforms the country's welfare program. What protections will there be for children in need? In DHS, we evaluate the risk to a child when making the determination whether or not a child must be removed from his or her home. A child who does not receive proper nutrition is at risk. A child who does not or will not have adequate shelter and clothing is at risk. A child who does not receive medical care and attention is at risk.

In the City of Philadelphia, we believe that our children are our future. We also believe that the life prospects for children are enhanced and protected by supporting families and strengthening the communities where they live. Therefore, the health of our future as a city is inextricably tied to achieving the best outcomes for our children, by ameliorating the conditions which put them at risk.

For the majority of families on welfare AFDC payments and food stamps provide the transitional supports which parents need to continue to care for and nurture their children. A smaller percentage of parents are dependent on welfare assistance as the primary means for raising a family. What will happen to these children if their family's eligibility for benefits becomes exhausted or diminished? Yes, welfare reform may be accomplished, but the child welfare system will be inundated with the consequences. Just as the mental health needs of children in the previous analogy did not disappear when funding was not available, the unmet food and shelter and medical care needs that put children at risk will not go away because AFDC and Food Stamp funding has been curtailed

The unintended consequences will be the antithesis of the assurances that we tried to provide: more children at even higher levels of risk will become known to the local child welfare agencies; more families will be disrupted as we remove additional children from their homes; the cost of care, which is greater when provided outside the home, will shift to local jurisdictions and children will be the ones who are scarred by the experience.

The remedies to the problems which this Sub-Committee is trying to redress may not lie in a welfare fix by itself. In Philadelphia, we do not have just a welfare problem. We have an employment problem. We have child abuse and neglect problems, with 1,000 reports received monthly. We have a domestic violence problem. We have a high school drop-out problem. We lack adequate and affordable pre-natal and child health care. And yes, we do have a teenage pregnancy problem, and a substance abuse problem with insufficient treatment facilities and options. I ask the members of this Sub-Committee to ponder whether the resolution of these problems would in fact fix the welfare system, without the unintended consequences which harm children and hemorrhage families.

Welfare reform must take into consideration the multiple problems faced by poor people in a complex society, and it must include local governments in the discussions. It will be the local municipalities that will be faced with creating the solutions for increased homelessness, increased child welfare, increased mental health and other service needs.

Thank you for this opportunity to testify on one of the most important reforms issues effecting the future of many Philadelphians.

TESTIMONY OF ANN F. LEWIS  
PLANNED PARENTHOOD FEDERATION OF AMERICA, INC.

*Planned Parenthood Federation of America is the world's oldest and largest voluntary reproductive health care organization, tracing its origins to the first birth control clinic in America founded by Margaret Sanger in 1916. Currently, Planned Parenthood has 161 affiliates in the United States, which provide a variety of health care services from prenatal care to midlife services. Planned Parenthood's 22,000 volunteers and staff members provide medical, educational, and counseling services to meet the family planning needs of more than four million Americans each year. Three-quarters of Planned Parenthood's contraceptive clients are at or below 150% of poverty. Our testimony is based on Planned Parenthood's 80 years of experience with women and their families and its commitment to reproductive freedom. In light of that, we oppose the Personal Responsibility Act (PRA), H.R. 4.*

*Everyone agrees that changes must be made with the welfare system. However, the difference lies in the ultimate goal. Planned Parenthood believes the goal of welfare reform should be to empower women and their families to lift themselves out of poverty with dignity. Planned Parenthood does not support punitive policies that only seek to punish women and their families; we abhor the current debate that devalues children based on the circumstances of their birth and that speaks to women surviving on welfare as needing "carrots and sticks" as if they were oxen or mules.*

*If the PRA or a similar measure is adopted, not only will we miss the target in our drive toward welfare reform, but we will also witness unnecessary pain and misery in the process. There will be pain for the targets of ill-conceived welfare reform schemes--women and children. There will also be pain for American taxpayers who will ultimately pay more - and not just in dollars - for the problems that are certain to flow from quick-fix solutions like the PRA.*

*Despite the name, based on our experience there is nothing in the provisions currently outlined in the PRA that will promote either collective or individual responsibility. We'd like to focus our testimony on just one of the proclaimed targets of the PRA--pregnant adolescents--and we want to tell you why the PRA will not serve as an effective weapon against the growing teen pregnancy epidemic. We would first like to address the myths upon which this bill is based.*

*1. Welfare Does Not Encourage Women to Have Children. For women on welfare, as for all women, family size has been declining for decades. In fact, the longer a woman remains on AFDC, the less likely she is to have another child. On average, families on welfare have fewer than two children; nearly half have only one. Moreover, states with the lowest levels of welfare benefits have the highest rates of non-marital births, while states with the most generous benefits have the lowest rates of out-of-wedlock births.*

*2. Benefits Under AFDC and Other Programs Have Declined, In Constant Dollars, Over The Past 2 Decades. There is no state in which benefits bring recipient families even up to the poverty line. Consider that the average monthly AFDC allotment is \$60-75 per child. Are young people having children in order to collect roughly \$2-2.50 per day? Where is the financial incentive to bear children?*

*3. Of All AFDC Recipients, 39% are white; 37% are African-American; 18.4 % are Latina. Women of color are over-represented among those on welfare because they are over-represented among the poor.*

*Now, as for the interlocking myths involving teen pregnancy and welfare benefits. Consider that less than one-third of out-of-wedlock births occur to adolescents and 85% of those are unintended. Moreover, only 6% to 8% of the single mothers on welfare are teens. Add to that the fact that when talking about the federal outlay for AFDC dollars, it is only 1% of the national budget; in the states, it's roughly 2%. So, from the outset, PRA provisions that specifically punish poor and adolescent women for their affirmative childbearing decisions will do little, if anything, to overhaul the welfare system as we know it.*

*While teen pregnancy, tragically, is a predictor of future poverty and hardship, welfare*

is not the core problem. It is important to realize that chief among the factors indicating teens are likely to become pregnant are poverty, unemployment, lack of education, and hopelessness. Therefore, if the goal is to end the teen pregnancy epidemic, then the purpose of public policy must be to improve the conditions of young people's lives, to give them a sense of future for themselves, and to help them feel some sense of accomplishment apart from childbearing. As Marion Wright Edelman of Children Defense Fund says "hope is the best contraceptive."

Some of the adolescents who make it to our doorsteps for family planning services tell us, in so many words, that they want to have a baby in order to make up for other emotional losses in their lives. Simply put, they want to feel needed, to be loved and to have companionship in an otherwise cruel world. For some, having a baby is a mark of status — of having "arrived" in their community of peers so to speak. But as I mentioned earlier, in 85% of these cases, none of these young women engaged in sexual behavior for the purpose of getting pregnant! Indeed, the pregnancy was more often the unintended result of miseducation, or the complete lack of it, or the lack of access to contraceptive products and/or misapplication of contraceptive products and practices.

Ironically, the PRA, while embarking on harsh, untried, punitive schemes, ignores positive approaches with proven success. Its attempt to coerce behavior by slashing welfare benefits would clearly make lives more miserable for needy children and their families.

Policies like the PRA, that condition public assistance upon individual childbearing decisions or ones that compel, prevent, or reward the use of contraception or a particular contraceptive method (e.g., some state legislatures have attempted unsuccessfully to link the receipt of AFDC benefits with mandated use of longterm contraceptives) are coercive and incompatible with fundamental human rights. The integrity of childbearing decisions requires that all women have access to quality, confidential abortion services, contraceptive services, prenatal care, and obstetrical services, regardless of income.

The primary goal of public assistance must be to promote independence rather than dependence. Therefore, reform initiatives must focus on the acquisition of skills through education and job training, which can provide people with the means to obtain meaningful employment. Imposing arbitrary time limits on benefits ignores individual circumstances, the needs of dependent children and structural economic conditions. Only by addressing all the education, training, and human service needs of those living on low incomes can families be empowered to control their own lives.

And, yes, loving, intact families, however configured, should be a central goal of our social welfare policies. But, these policies must not force women to maintain abusive relationships with men or force children to maintain abusive relationships with parents for the sake of a "traditional" family. In a recent DHHS study, 66% of pregnant adolescents reported situations of sexual molestation and 50% of those reporting such incidents cited victimization by someone in the home.) Reform initiatives must recognize the validity of nontraditional family structures.

Social welfare policies must also ensure access to safe, appropriate and affordable child care for all parents who are working or participating in educational and job training programs. Further, because support for children is not only financial, all positive involvement in family life must be recognized and encouraged. This means that, while parental financial support mechanisms should be strengthened such measures must not endanger or dehumanize women and children, nor push low-income non-custodial parents further into poverty.

As for a positive approach to reducing teen pregnancy, our experience tells us that meeting the needs of the whole person is essential. Moreover, among the arsenal of employable remedies that will meet whole-person needs, at least two are indispensable: the first is unequivocal support for K-12 comprehensive, reality-based, age-appropriate, sexuality education in our schools. By this we mean the implementation of educational programs nationwide that will include not just the facts of sexual life, but also such vital concerns as communication and decision-making skills, emotional development, and self-esteem. The second is unimpeded access to comprehensive family planning services and reproductive health care. We cannot reasonably expect individuals to make voluntary, informed, and responsible



decisions about childbearing otherwise.

*We also know, firsthand, that young people must be reached before they become sexually active; and if they are sexually active, we cannot just condemn them but continue to work with them to prevent pregnancy and sexually transmitted infections. Above all, parents must be encouraged to be the primary sexuality educators of their children. But to do so, they need adequate skills and knowledge to be able to initiate dialogue about sexuality and values, as well as to impart information with comfort and authority. Even under the best of circumstances, however, we should not place all our chips on the family and the schools to deliver the message alone. We need to encourage and empower coalitions of community-based organizations that have hands-on experience working with teens — agencies with track records in social services, family planning, youth groups, and religious institutions. Moreover, teens are reached through other teens. At Planned Parenthood, our First Things First program has scored great success with using teen educators to teach their peers about making safe choices about sex, including abstinence.*

*In closing, Planned Parenthood believes that welfare reform must be based on fact and not myth or stereotype. Overhaul of the system must include an honest account of structural economic issues and the financing of welfare reform must not come from programs that serve other vulnerable groups. Most importantly all social welfare policies, including welfare reform, must respect individual dignity, encourage self-empowerment, and ensure the fundamental right to reproductive choice. If we embark on this path, then we will truly have achieved reform.*

TESTIMONY OF  
 REPRESENTATIVE DEBORAH PRYCE (R-OH-15)  
 U.S. HOUSE OF REPRESENTATIVES  
 SUBCOMMITTEE ON HUMAN RESOURCES  
 HEARING ON WELFARE REFORM  
 JANUARY 30, 1995

Mr. Chairman, I am very pleased that reforming our welfare system will be a priority in the 104th Congress, and I commend you as Chairman of the Ways and Means Subcommittee on Human Resources for scheduling extensive hearings to examine the various issues surrounding welfare reform. I think it is abundantly clear that our present system is failing, and will not dwell on that fact. Instead, I will take this opportunity to focus on just one aspect of the welfare debate -- an obstacle to work that faces the families who rely on welfare benefits -- the lack of affordable, quality child care.

For the poor, finding affordable child care is often a prerequisite to leaving the welfare rolls, and for the 58 percent of poor children under six whose parents do work full or part-time, losing child care could be the one event that leads them to welfare dependency. The government recognizes this dilemma and has attempted to address this problem through several child care assistance programs. However, like many government solutions, federal child care subsidies are subject to a maze of regulations that discourage the individuals they are designed to help. In the case of child care assistance, the frustration drives recipients away from their jobs and back to welfare. In addition to the issues of availability and affordability, there are concerns about quality and convenience that must be allayed before parents are willing to work rather than stay home and collect welfare benefits.

Last Congress I introduced, and will reintroduce in the 104th Congress, the Child Care Availability Incentive Act that speaks to each of these issues. My bill would encourage businesses to provide as a benefit to their employees on-site or site adjacent child care services. The Child Care Availability Incentive Act offers significant incentives in the form of tax credits to businesses equal to 50 percent of the costs they incur to provide on-site or site-adjacent care to their employees. Both the employer and employee benefit under this bill. Studies have shown that on-site and site-adjacent care results in increased productivity and morale among workers and reduced worker absenteeism. Further, research shows that employer-sponsored care is often high quality and cost-effective.

For example, a 1989 study conducted at Union Bank, in Monterey Park, California, showed that the bank saved between \$138,000 and \$232,000 during the first year of the center's operation. The savings were attributed to reduced turnover and absenteeism, and shortened maternity leaves. Union bank invested \$105,000 in operating support to the center that year, so they realized a return on their investment of more than 130 percent!

Further, the Child Care Availability Incentive Act provides businesses flexibility, allowing them to share the cost of the child care benefit with their employees. It is not a one-size-fits-all federal mandate, but a government partnership with business to address a social issue that more and more American families face.

I am still anxiously awaiting an estimate from the Joint Committee on Taxation, which is responsible for determining the "cost" of this legislation. I know that each of us is concerned about a growing national deficit, and that Congress must become more fiscally responsible when enacting new policies. I believe the Child Care Availability Incentive Act will relieve the government of some its financial burden. Indeed, the government is already spending billions of dollars on welfare for single, unemployed mothers and on child care subsidies. Further, I think

we have to put the "cost" of revenue losses due to tax credits into perspective. In my view, allowing American businesses to keep more of their own money to invest in their employees and to address social issues is both reasonable and preferable to the government taking it upon itself to take and spend more of the taxpayers' dollars to solve the same problems.

I hope as the debate over welfare reform continues, the issue of child care availability will be discussed at greater length. I think all Americans have an interest in ensuring that our nation's children receive quality, developmental care in their early years which prepares them to be responsible, productive citizens.



FOR A HUMANE PUBLIC AID PROGRAM IN ILLINOIS

Sharrón D. Matthews  
Executive Director

Testimony on the Personal Responsibility Act of 1995,  
Submitted to Subcommittee on Human Resources, Committee on Ways and Means,  
United States House of Representatives on Thursday, February 2, 1995  
As Prepared by Sharron D. Matthews, Executive Director, Public Welfare Coalition of Illinois

The Public Welfare Coalition (PWC) is a 25 year old broad based coalition comprised of over 200 social service, civic and religious organizations and individuals across Illinois who are concerned with how public aid policies and programs affect the lives of nearly 1.5 million of their fellow Illinoisans. (See the attached PWC fact sheet.) PWC combines policy analysis, advocacy and public education to help create more responsive and equitable public aid policies on the local, state and national levels. PWC is committed to insuring that adequate resources are available for those in need and that progressive changes are made in the welfare system to train and provide appropriate and adequate supportive services to recipients who are moving from welfare into work.

PWC fully supports welfare reform and understands the need to reform the present welfare system. PWC believes, however, that adequate supportive services, quality education and training, and the creation of jobs that pay a livable wage are the key to real welfare reform. We applaud, what is to date, the most comprehensive review by government of one of the most complex and urgently needed social programs of our nation's history. Transitioning from welfare to work, support of two-parent families within the welfare system, the ending of the cycle of intergenerational welfare dependency, and decreasing the rate of teenage pregnancy are all initiatives that PWC has supported since its inception in 1969. Sadly, however, the Personal Responsibility Act, as currently written, does not provide the type of planning and compassion that will be required to successfully end "welfare as we know it" without also ending lives while significantly decreasing the quality and tearing at the very fabric of American life.

Although we welcome the window of opportunity to focus on welfare reforms and systemic change, we are deeply saddened by the seeming lack of consideration of the following factors in the legislative initiatives currently being reviewed by this committee:

1. Adequate resources for childcare;
2. Availability of affordable health coverage;
3. Livable wage employment opportunities;
4. Need for flexibility in "welfare to work" transition planning instead of arbitrary time limits;
5. Lack of emphasis on job creation in the private sector;

6. Pre- as well as post-employment assistance to increase job retention and reduce length of time between employment;
7. The lack of supportive attention and real assistance being provided male recipients in their transitioning into the work force;
8. The need for a federally mandated, and adequately funded, national minimum standard of basic needs support level for adults and children;
9. Lack of experience, resources and organizational capacity of states' departments of public aid to be job placement and career development entities;
10. Individuals should not go to work everyday and return home poor. Need legislative initiatives to promote "making work pay" for everyone;
11. The social and economic costs of human misery and higher city and state taxes that will result from decreasing funding and elimination of entitlement which have traditionally served as "safety net" programs; and
12. The negative impact on commerce, small business and corporate operating environments.

Given that this legislation was initially presented to the public as part of a "Contract with America", please keep the following in mind when deliberating the fate of over 15 million Americans and other individuals struggling as immigrants to become citizens of the United States, a proverbial land of immigrants.

Webster's New World Dictionary offers several definitions of the word "contract". Among them are: 1) An agreement between two or more people to do something; 2) To narrow in scope; 3) Restrict; 4) Shorten; and 5) To decrease in size, bulk or extent.

This portion of the "Contract" would put spending limits on the growth of welfare programs including AFDC, Supplemental Security (SSI), and public housing while also consolidating 10 nutrition programs including Food Stamps, Women, Infants and Children (WIC); and the School Breakfast and Lunch programs into a "discretionary" block grant for states to operate. By converting these programs into block grants instead of entitlement programs, three very terrible occurrences would then be possible:

- 1) A human being is no longer entitled to, and the government no longer has to provide or assist with, food or shelter. Currently, a person is eligible and is entitled to (cannot be denied) government assistance simply due to need;
- 2) A state may opt to fund only certain types of welfare benefits, provide only certain services, and serve only certain groups of people or individuals; and
- 3) Since funds are being cut and monies for program growth limited, once discretionary block grant monies have run out, no more services of benefits will have to be provided during that year, as required now under the entitlement program category.

For the welfare system to be successfully reform, any legislative initiatives must take the following into account:

1. The needs of infants and children must be adequately addressed;
2. Human capital development (i.e. access to real training, education, and gainful employment and upper mobility) must take priority; and
3. Follow the dictates of the logic of basic economics which calls for more capital investment up front in the short term to yield higher returns in the long run for all America .

Given the current situation, everyone agrees that new paradigms for government assistance to individuals and families is desperately needed. It is only logical, therefore, for government to work with those who have the most knowledge and experience as well as those who have the most to gain (i.e. welfare participants, advocates, and social service providers) in solving the most important social issues of our society. We ask that this committee provide the opportunity and time for this collaboration to occur by rejecting this particular legislative proposal and calling for more open participation in this process. Thank you.

# *PUBLIC WELFARE COALITION*

*100 South Morgan, Chicago, IL 60607*

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## *WHAT is the Public Welfare Coalition?*

The Public Welfare Coalition (PWC) is comprised of over 200 organizations and individuals across Illinois who are concerned with how public aid policies impact the lives of nearly 1-1/2 million fellow Illinoisans. PWC combines policy analysis, advocacy and public education to help create more responsive and equitable public aid policies on the local, state and national levels. PWC is committed to ensuring that social resources are available for those in need and that progressive changes are made in the welfare system to train and provide supportive services to recipients who are moving from welfare into work.

## *WHY is the Public Welfare Coalition needed?*

The Public Welfare Coalition is the oldest organization that primarily addresses public aid policy and program issues in Illinois. It is dedicated to improving the conditions of those in extreme poverty by working as a catalyst to identify problems, develop solutions and organize for change.

- There are almost 1.5 million Public Aid recipients in Illinois, an increase of 17% in two years. This number represents 12% of the state's population, the highest ever.
- Two-thirds of AFDC recipients are children. Half of the children are age 6 and younger.
- The average Public Aid family includes just 2 children.
- In 1993 public assistance grant levels provided only 42% of the State "Standard of Need"— the state's poverty index.
- A mother with two children only has \$12.50 a day in cash assistance to support her family.
- The buying power of the Public Aid recipient's dollar is 52% less than it was in 1970.
- An increasing number of Public Aid families are spending 80% or more of their cash grants on housing costs. Less than 19% of recipients have subsidized housing.
- There has been a large growth in homelessness among families. The number of homeless people in Illinois is estimated to be over 100,000, compared to 40,000 in 1986.
- Over 83,000 single individuals were cut off of General Assistance in 1992. The Earnfare program, which serves a maximum of 4,000 individuals a month, is the only program now available to "able-bodied" individuals that were cut off. The Earnfare program does not provide any medical benefits to those recipients struggling to make their transition into the workforce.
- The state appropriated \$7.5 billion for Public Aid in FY95. However, 76% is for medical costs which jumped by 6.4% over the previous year. This leaves only 14.9% for income assistance, 2.3% for employment and social services and 6.8% for overall administration of services and programs.

PWC believes the only real solution to welfare is jobs. It has been well documented that many welfare recipients are willing and able to work and may need job training, affordable quality child care, quality health care or other supportive services, but most importantly, they need real jobs that pay a livable wage.

**SAMPLE PUBLIC AID GRANTS AND OTHER BENEFITS IN ILLINOIS COMPARED TO THE STATE  
STANDARD OF NEED AND THE FEDERAL POVERTY LEVEL**

<b><u>FAMILY SIZE</u></b>	<b><u>* 1994 CASH GRANT</u></b>	<b><u>MAXIMUM FOOD STAMPS</u></b>	<b><u>MAXIMUM TOTAL BENEFITS</u></b>	<b><u>1994 STATE STANDARD OF NEED</u></b>	<b><u>CURRENT FEDERAL POVERTY LEVEL</u></b>
1 (TA)	\$ 154	\$ 115	\$ 266	\$ 514	\$ 613
3 (AFDC)	\$ 377	\$ 304	\$ 672	\$ 915	\$ 1,027

\* The grants listed in this table are the highest payment levels in 14 counties. The payment levels are even lower in other counties. The cash grant only provides 41.2% of the State Standard of Need for AFDC and 29.9% for Transitional Assistance as of 1994.

Sources: Illinois Department of Public Aid and US Department of Labor

### **WHAT services does PWC provide?**

The heart of PWC's Advocacy Program is the crisis hotline, which handled more than 1,300 calls in 1993. The hotline offers information on access to benefits; resolution to problems that interrupt grants and threaten families and individuals with homelessness and other crises while educating recipients, caseworkers and community organizations about welfare rights, policies and procedures. PWC also publishes the only handbook totally devoted to providing a summary of IDPA policies and procedures.

PWC's Education Program keeps legislators and the public informed about current policy issues and the needs of people on public aid through the media, public hearing testimony, a membership newsletter and the Fax Network Briefings.

PWC's Public Policy Program monitors changing public aid policies and their implementation. As a coalition, PWC identifies and implements strategies to remedy issues that adversely affect recipients. This includes monitoring federal welfare reform legislation and providing briefing papers and recommendations on various aspects of welfare programming.

Coalition members are encouraged to participate in these activities. Since 1969, individual and organizational members have made the Public Welfare Coalition a leader in advocating for the needs of the poor throughout Illinois.

Membership in PWC offers multiple benefits:

- ✓an aggressive vehicle for change within the public aid system;
- ✓regular issues briefings;
- ✓monthly Membership News; and
- ✓discounts on PWC products and workshops, including the Handbook of Illinois Public Aid Policy, 2nd Edition.

To join PWC, please contact:

PUBLIC WELFARE COALITION  
100 SOUTH MORGAN STREET  
CHICAGO, ILLINOIS 60607  
Office: (312) 829-5568  
Fax: (312) 829-9481



**TESTIMONY OF WILLIAM D. BECHILL  
SAVE OUR SECURITY COALITION**

The Save Our Security Coalition (SOS) appreciates this opportunity to present a statement on H.R. 4, the Republican-sponsored Personal Responsibility Act. Founded in 1979, SOS is a coalition of over 100 national, state, and local organizations concerned with all of the programs under the Social Security Act of 1935. These include the Old Age, Survivors, and Disability Insurance programs, Unemployment Insurance, Medicare and Medicaid, the Supplemental Security Income program, and the public social services programs authorized under the Title XX provisions of the Act.

Last June, after considerable study, SOS adopted a policy statement on welfare reform. It called for a comprehensive welfare reform program. Its main features were: 1) an expansion of the Earned Income Tax Credit program as a major method of increasing the incomes of poor and near-poor families; 2) a major expansion of the JOB program especially to develop more effective efforts to help AFDC parents find both public and private sector jobs; 3) at time of application, requiring a contract setting forth the responsibilities of both the applicant and the welfare agency to help AFDC parents gain self-sufficiency; 4) improvement of child care services for AFDC and other low-income families; 5) stronger child support enforcement efforts by the States; 6) special efforts to prevent teenage pregnancy as well as to provide services to teenage parents receiving AFDC, including services to assist them in parenting skills and in efforts to complete their high school educations and to prepare for work; 7) financing of these and other welfare reform efforts by other revenues than those that would result from reducing or eliminating benefits for legal immigrants in need of such services as AFDC, Medicaid, Food Stamps, and other health and income support programs.

In 1994, SOS also submitted written testimony to the House Ways and Means Committee on H.R. 4605, the President's welfare reform bill. We gave that bill our general support, although we did raise questions about a lifetime time limit on cash assistance, the lack of a basic income floor for all families receiving AFDC, the so-called "family cap" option given to States who may wish to exclude a child born after a parent began to receive AFDC, and the proposed financing of the program. With respect to financing, we proposed that the Congress consider other alternatives than those offered in H.R. 4605. We particularly singled out the area of tax entitlements that currently benefit wealthy individuals and businesses as a financing source to examine.

Comments on H.R. 4

The Personal Responsibility Act, as introduced, is not simply welfare reform or a restructuring of the federal-state Aid to Families with Dependent Children. It is, instead, a proposal that would reverse the many gains made in constructive social policy on behalf of poor and near-poor persons in need of assistance from

such programs as AFDC, Supplemental Security Income, Food Stamps and other nutrition programs, and Medicaid. In addition, the bill contains provisions that would deny assistance to legal immigrants in no less than 60 programs, including Medicaid, SSI, all forms of housing and employment training assistance, and many others. These provisions are extremely punitive and we urge that they be deleted by the subcommittee.

SOS has many concerns regarding H.R. 4 as introduced as part of the so-called "Contract With America". These are:

•The Annual "Caps" for the AFDC and SSI Programs

H.R. 4 would establish an annual expenditure cap on the AFDC, SSI, and other programs cited in the bill. It is alleged that such spending caps would result in some \$18 billion dollars of savings over the next five years.

Annual spending caps on the AFDC and SSI programs would place in jeopardy the economic support of 4.4 million adults and 9.3 million children receiving AFDC. It also would do the same for the 4.5 million needy older, blind and disabled persons now receiving SSI.

An annual spending cap would mean the end of any entitlement status for persons receiving assistance under either program. In times of recession or slow economic growth, which generally means increased reliance by many poor persons or families, there would be no adaptability to adjust to such changing circumstances by those administering these programs. In the case of AFDC programs, States would be forced to make arbitrary decisions about which of the poor should or should not receive help. Poor persons and families would not have any legal rights to aid, no matter how justified their need for assistance might be. In the case of the SSI program, the Social Security Administration would be forced to put needy and potentially eligible older, blind and disabled persons on waiting lists, once an annual cap would be reached in a slow growth recession year. SOS urges that such spending "caps" be removed from the bill.

•H.R. 4 Contains Several Provisions that are Harmful to Children

SOS strongly believes that several provisions of H.R. 4 would, if enacted, be particularly harmful to children, especially those now receiving AFDC. For instance, H.R. 4 would arbitrarily deny AFDC for children born to unwed mothers younger than age 18. We believe that minor parents should continue to be eligible. SOS would urge policies that would enable a minor parent to be eligible if living in a household with a responsible adult or mentor.

H.R. 4 also would deny AFDC to any child whose paternity had not been established at the time of application or reapplication; to any child when the proposed time limits for cash assistance or subsidized work expire, or when additional children are born to a mother already receiving AFDC. Again, these are arbitrary

provisions that seem to punish children. It is important to establish paternity for any child. But the efforts to establish paternity, even if underway, often take several months or more. A child should not be denied while that process is underway.

Similarly, the proposed time limits on the cash and work provisions provide little safeguard to children in AFDC families. H.R. 4 gives States the option of ending AFDC for families who have received either form of assistance for a two year period. Further, it would mandate that all States terminate AFDC families who have received cash and worked in subsidized employment after five years. Under either provision, AFDC families would be forever ineligible for AFDC no matter how serious their future financial or work situation.

SOS asks that these provisions be reconsidered by the subcommittee and by all members of the Congress. Welfare reform is needed, but our national goal should not be, as the President said in his recent State of the Union address, "...to punish them because they happen to be poor."

The aforementioned provisions and others cited would mean a complete abandonment of any responsibility of the national community for the well-being of children who are poor.

•The Proposed Nutrition Block Grant Would Also Hurt Children and Other Vulnerable Groups

H.R. 4 would consolidate 10 major federal nutrition programs into a block grant to the individual States. The programs include Food Stamps, Emergency Food Assistance, the "WIC" program, and the School Meals or Lunch program. It is alleged by the authors of H.R. 4 that \$11 billion dollars could be "saved" over a five year period by converting these programs into a block grant. SOS questions the assumptions for such a figure which do not seem to be based on anything more than "guesstimates" rather than actual fact. The proposed nutrition block grant would end the entitlement status of such critical programs as Food Stamps, WIC, and the School Lunch program. In the case of Food Stamps, it would threaten the well-being of some 27 million Americans who receive help under the program. This is a program that with all its imperfections has been the major safety net to combat hunger and malnutrition in our society.

Some governmental functions may be amenable to the block grant approach. But it would appear that food and nutrition is not such an area. SOS believes that the proposed nutrition block grants would make these programs discretionary for individual States. In several States, we fear such an option would lead to the cutting back of services and turning hungry persons away from help.

SOS takes the same position on other block grant programs being proposed for AFDC, child welfare, child care, and other areas as possible amendments to H.R. 4. We believe that it is in the

national interest for the Federal Government to play a major role in their administration and oversight.

Conclusion

SOS continues to support a constructive welfare reform proposal. At the moment, we believe the most thoughtful plan for welfare reform has been the proposal made by President Clinton in 1994, H.R. 4605, the Work and Responsibility Act. We will continue to vigorously support that proposal, as well as to vigorously oppose the provisions of H.R. 4 as introduced.

CITIZENS must Be Allowed  
 to sell Property with Realtor  
 at MARKET & PAY their Share  
 ) CAPITAL GAINS DNE Treasury  
 (instead ) legally giving to welfare

UNLOCKING LOCKED-IN REAL ESTATE CAPITAL ACT

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UNLOCKING LOCKED-IN REAL ESTATE CAPITAL ACT

The SAMPLE BILL enclosed will:

1. Generate Capital Gains Tax from the sale of property;
2. Generate Income Tax from cash invested and from new jobs created;
3. It will GET THE RICH OFF WELFARE and food stamps and  
GET THE SECOND-HAND RICH OFF WELFARE and food stamps;
4. It will create money to support the infrastructure by citizens  
not paying now;
5. It will create a NEW "SPECIAL NEEDS" TAX PAID TO THE STATE - See  
Page (14);
6. It will create OTHER TAXES FOR THE STATE - See Page (15)
7. It will create many NEW JOBS and thus RECOVER THE ECONOMY -  
See next page for JOBS CREATED;
8. It will create a lot of new money for spending in the stores.  
More to follow on:
  1. PENALTIES for SAMPLE BILL; and
  2. MORE EXPLANATION AND COMMENTS on why the need for this BILL  
and the benefits to the citizens and the State.

**NOTE:** THIS BILL WILL PUT LOTS OF NEW MONEY INTO THE POCKETS OF THE CITIZENS  
AFTER PAYING TAXES UNLIKE OTHER PLANS, WE ARE HEARING FROM WASHINGTON,  
THAT WILL TAKE MONEY FROM THE POCKETS OF PEOPLE AFTER PAYING TAXES.

## JOBS CREATED

1. New business for Realtors
2. New business for credentialled Appraisers
3. New business for Mortgage Bankers

After the land is sold: 4. Building Contractors - Commercial and Home Builders

5. Construction Workers

6. Road builders

7. Excavators

8. Surveyors

9. Plumbers

10. Electricians

11. Roofers

After the construction is completed:

12. Furniture manufacturing jobs

13. Lighting fixture manufacturing jobs

14. Other manufacturing jobs

15. Floor covering jobs

16. Moving, shipping and delivery jobs

17. Salesclerks

18. Secretaries and Receptionists

19. Cleaning and maintenance jobs

80% of new jobs come from small business; Putting the above back to work, including the building trades, would create new sales for homes again and dollars available to spend in the stores after taxes are paid.

UNLOCKING LOCKED-IN REAL ESTATE CAPITAL ACT

REAL ESTATE OWNERS IN DISAGREEMENT GENERALLY RESULTS IN OWNERSHIP OF REAL ESTATE DEBT FREE

THE IMPORTANCE OF THE ABSENCE OF MORTGAGES: Owners undivided or partners that cannot agree to sell Real Estate owned, including vacant land that has been underproductive for decades, also cannot generally agree to borrow on it. Thus, the Real Estate capital to be unlocked in this Act is usually from Real Estate sales of properties that do not have any mortgages against them, unlike other Real Estate properties that can have mortgages when owners are in agreement.

Thus, when an appraisal comes in lower than an existing mortgage owed, owners that have been in agreement and have borrowed on a property cannot sell, at that time, because the mortgage, in a bad economy, can be more than what the property is appraised for at that time.

However, on properties that have been held for decades, that decades ago were worth very little, an appraisal in a bad economy, when the property does not have any outstanding mortgages to be paid, can look very good to owners who want to sell; THIS ENABLES A BUILDER WHO IS HURTING IN A BAD ECONOMY TO GET STARTED AGAIN; IT IS THESE BUILDERS AND BUYERS WHO HAVE A CHANCE TO GET STARTED AGAIN IN A BAD ECONOMY, BUYING PROPERTIES FROM OWNERS UNDIVIDED OR PARTNERS THAT HAVE NO MORTGAGE OWED, THAT WILL BEGIN THE ROAD TO RECOVERY, NOW IN OUR BAD ECONOMY, FOR THE STATE AND OUR NATION BY GENERATING TAXES THAT LEAVE MORE MONEY IN THE POCKETS OF THE CITIZENS AFTER THEY PAY THESE TAXES - SO THEY WANT TO PAY THESE TAXES - AND BY CREATING JOBS AS SHOWN ON PAGE II. THE ABSENCE OF MORTGAGES MAKES THE DIFFERENCE IN BEING ABLE TO SELL THE REAL ESTATE AND BEGINS THE CYCLE, WE NEED NOW, TO LOWER THE DEFICIT AND TO CREATE JOBS AND TO RECOVER OUR ECONOMY.



UNLOCKING LOCKED-IN REAL ESTATE CAPITAL ACT

BILL NO.

1. THIS ACT WILL RAISE REVENUE FOR THE STATE FROM CITIZENS WHO CAN AND WANT TO PAY TAXES; IT WILL CREATE JOBS AND HELP RECOVER THE ECONOMY; IT WILL UNLOCK CAPITAL GAINS AND LOWER THE DEFICIT; IT WILL CREATE INCOME TAX DUE FROM CITIZENS WHO WANT TO PAY; IT WILL LESSEN THE NUMBER OF CITIZENS NEEDING ASSISTANCE FROM HHS AND FROM DEPARTMENT OF AGRICULTURE IN THE FORM OF FOOD STAMPS; IT WILL LESSEN, AND IN SOME CASES STOP, STALKING AND CRIME; IT WILL INCREASE COMMERCE AND THE BUYING OF PRODUCTS; IT WILL INCREASE THE DEMAND AND PURCHASE OF HOMES AND CARS; IT WILL HELP PAY FOR INFRASTRUCTURE FROM CITIZENS WHO WANT TO PAY; IT WILL INSURE THAT CITIZENS LIVE THEIR YEARS AS THEY WANT TO AND PLANNED TO RATHER THAN LIVING IN TERROR OF TERRORISTS WHO ARE TRYING TO STEAL THEIR ASSETS/REAL ESTATE, WHO ROB THEM OF THEIR LIBERTY AND TIME AS GUARANTEED BY THE UNITED STATES CONSTITUTION, AND WHO DRASTICALLY AND VERY NEGATIVELY ALTER THEIR QUALITY OF LIFE. IT WILL CREATE A NEW "SPECIAL NEEDS TAX TO BE PAID TO THE STATE BY CITIZENS WHO WANT TO PAY TO BE USED FOR THE "SPECIAL NEEDS" OF OTHER CITIZENS AND INDUSTRY WITHIN THAT STATE - See Sec. 6. on Page (14).
2. INCLUDED AND COVERED IN THIS BILL:
  - A. All Real Estate owned undivided;
  - B. Partnerships, formal and properly recorded or informal and not recorded, may or may not be included.
3. NOT INCLUDED AND EXEMPT:
  - A. All Real Estate owned by husband and wife without any other owners;
  - B. All Real Estate owned by joint ownership of any kind;
  - C. All residences lived in or worked in, full or part-time, by any owner;
  - D. Corporations.
  - \*E. Written Agreement - see page 1.a., next page;
  - \*F. Subdivision or Development - see page 1.a., next page;
4. DEFINITIONS:
  - A. Owner or shareholder is any owner of a property owned undivided or any fraction of an owner of a property owned undivided like owning 1/3 of 1/5 of the property undivided.
- \*\*5. BILL IMPROVES EXISTING CODE AS FOLLOWS:
  - A. With passage of this Act, any owner who wants to sell a parcel of Real Estate, owned undivided, in its entirety can immediately cause that property to be sold when any other owner or group of other

## 3. NOT INCLUDED AND EXEMPT - (continued from page 1);

\*E. A WRITTEN AGREEMENT, prior to a new partnership, can void that partnership being bound by this Act if it is so stated and is signed by all partners and notarized before the partnership is formed, even when that partnership is formed after passage of this Act; All written agreements, <sup>notarized,</sup> at any time, between all partners or between all owners undivided, supersede this Act; This Act is 'in <sup>written</sup> <sup>notarized,</sup> effect only when there is no/agreement/between all partners or only <sup>written</sup> <sup>notarized,</sup> when there is no/agreement/between all owners undivided; Agreement on price in a written agreement, notarized, is required by all partners or by all owners undivided or Sec. 5.A.2. of this Act, SETTING THE PRICE, is in effect.

\*F. SUBDIVISION OR DEVELOPMENT of the property for multiple sales, rather than one sale in its entirety, as in multiple sales of lots for homesites, rather than one sale of the entire parcel of land to be divided and/or developed for homesites after the sale by the buyer, is not covered in this Act and <sup>can</sup> only be permitted when all the owners undivided or all the partners agree to subdivide or develop the property, and agree to its cost and to share its cost, by a written, signed by all owners undivided or signed by all partners, notarized agreement to be furnished to the closing attorney later. RETURN TO PAGE 1.

\*\*5. CONTINUES ON NEXT PAGE -

No. 4.

\*\*5. (continued):

owners, of that property, owned undivided, do not want to sell  
when the following conditions have been met:

1. NOTIFICATION:

- a. Any owner who wants to sell must notify all  
other owners by first class mail at their last-  
-most-current  
known/address and save a proof of mailing receipt  
from the Post Office for each Letter of Notification  
mailed for each owner, to be given to the closing  
attorney when possible.
- b. Notice Of Intent To Sell must be published in the  
Legal Notices of the paid newspaper with the  
largest circulation in the County where the Real  
Estate is located at least 3 times within a 30 day  
period, from the time of the printing of the first  
Notice, spaced at least 5 days apart and including  
at least one Sunday or Week-End Edition and at least  
one Daily Edition published on Monday through Friday;  
when the paid newspaper with the largest circulation  
in the County where the Real Estate is located is a  
Weekly newspaper, the Notice of Intent To Sell must  
be published in the Legal Notices of that paper at  
least 3 times, in three separate Editions, within a  
6 week time period from the date of its first  
publication; and copies of all/<sup>published</sup> Notices Of Intent To  
Sell MUST be given to the closing attorney.

## 2. SETTING THE PRICE:

- a. Any owner can obtain only a credentialled MAI Appraiser as little as once for each owner or as many as he wishes, and <sup>each</sup> Appraiser's Report and Price must be completed within 120 days from the third publication of the Notice Of Intent To Sell in the newspaper if it is to be used in determining the price; if any owner does not obtain a credentialled MAI Appraiser within the above stated time period, he has waived his right to do so.
- b. For the purpose of a new listing, when an existing listing is going to lapse and when there is a change in market conditions, the Price of the property will be changed by the same percentage, higher or lower, as reported in the most <sup>or owners,</sup> and current official statistics unless any owner provide a new Appraisal Report and Price from a credentialled MAI that gives a higher current market price to be used instead, Appraised before 5:00 P.M. on the last day any Realtor's listing is in force to, the Clerk of the County/<sup>Commission</sup> the official person designated for this purpose by this Act.
- c. In all cases, the Price of the highest appraisal or the change in Price determined by using the most official statistics when there is a change in market conditions, whichever Price is higher, will be the selling Price unless all owners are in agreement on another Price.
- d. During the time period in which a Realtor's listing is in force, the price will not change unless all <sup>and the Realtor</sup> owners are in agreement and notarized signatures by all owners and the Realtor are provided to the Clerk of the County Commission as proof.

## 2. SETTING THE PRICE - (continued):

- e. This Act makes it possible for any owner to cause the sale of any Real Estate parcel in its entirety and to have the price set on this parcel as outlined in Sec. 5.A.2., above, without causing the sale of any other parcel described in the same deed when there is more than one parcel of property described in the same deed; if any owner wishes, he can cause the sale of all Real Estate parcels in their entirety, described in the same deed, when there is more than one parcel of property described in the same deed.
- f. In all cases, agreements signed and notarized by all owners of Real Estate owned undivided supersede anything in this Act, when provided to the Clerk of the County Commission.
- g. This Act is needed when no agreements can be made between all owners of Real Estate owned undivided and prohibits any requirement for any owner to appear in the State to sell the property.
- h. Any owner can buy the interest owned by another owner at the correct percentage of the <sup>total</sup> Price set, on any parcel, as outlined in Sec. 5.A.2., above.
- i. This Act does not prohibit any owner from accepting less than his percentage of the Price set on any parcel as outlined in Sec. 5.A.2., above, if he chooses to, and if it is disclosed to all other owners, so that the property can be sold; more than one owner can accept less than his percentage of the Price as outlined in this Sec. 5.A.2.1.

2. SETTING THE PRICE - (continued) ~~REDACTED~~ :

j. All or part of any property cannot be sold to etc.  
 who is a relative by blood or by marriage including all offspring & their spouses & their offspring,  
 another relative/who is or is not already an

owner, or to any owner already an owner, or to  
 a business or corporation or a person or persons  
 or any other entity not listed herein, known or  
 unknown to be representing any owner in the  
 present or future, at any price including at the  
 highest appraisal price, unless all owners agree  
 by their written and notarized signature in a  
 written agreement. This protects all owners  
 against a sale in a drastically falling market  
 when the highest appraisal price would be  
 unusually low and any owner prefers not to sell  
 directly or indirectly, known or unknown, to any  
 other owner or to any other buyer/as specified in  
 this Sec.5.A.2.j.above.

Penalty - The penalty for violating this Sec. 5.A.2.j.  
 is triple damages due, calculated at the highest  
 market value in the history of the property  
 whether or not there was a credentialled KAI  
 appraisal at that time, and payable immediately  
 to each owner in his proportionate share of the  
 total sum due, as specified herein, by the owner  
 and violater initiating the sale to occur.

2. SETTING THE PRICE - (continued) ~~XXXXXXXXXX~~ :

K. Full disclosure must be given to all owners, before the property sells, as part of the disclosure of the sale price/ of any future earnings, directly or indirectly, stemming from the sale of the property and each owner must receive his proportionate share of the total earnings in addition to the sale price of the property, even when the property sells at the highest appraisal price. For example, an ownership in a business to be built or developed, on or at the property, after the sale of the property is completed must be disclosed and shared with all owners, in their proportionate share, unless any owner elects to withdraw and cancel his share in any additional ownership in any business and in any additional profits or losses, subsequent to the sale of the property, in a written and notarized statement with or without the agreement and consent of any other owner or owners; If a buyer offers the highest appraisal price and an ownership in a business is a condition of that offer, and if none of the owners want to share in that business, the offer can be refused and the property will not sell. Disclosure must be given <sup>to all owners</sup> for <sup>that</sup> ~~Payment~~ will be received, for any work performed in the business by any of the owners for the work they do, in addition to each owner's proportionate share of any profits or <sup>losses</sup> ~~due~~ due that owner for his percentage of ownership, in that business.

2. SETTING THE PRICE - (continued) ~~XXXXXXXXXX~~:

Certified Copies of Payment In Full - In all cases, the full purchase price and all business opportunities must be disclosed to all owners and certified copies of all checks and other vouchers for payment, for the sale of the property of all of the owners, must be given to all owners.

Penalty - The penalty for violating this Sec. 5.1.2.k., including any owner receiving any profits is that owner undisclosed to all other owners, owes triple <sup>he</sup> the amount/received to each owner, in each owner's proportionate share of the total sum due, which is due and payable immediately; If there is fraud, penalties, already in law, apply.



## 3. SELECTION OF REALTOR:

- a. When any owner wants to list the property with a Realtor in order to sell it, the property must be listed.
- b. The owner who wants to sell the property, or when there is more than one owner who wants to sell the property the owner who published the Notice of Intent To Sell in the newspaper first, is required to furnish the names of acceptable all owner's last-known-most-current address, Realtors to the other owners by first class mail to each with Post Office Proof of Mailing Receipt to be furnished to closing attorney, and/or by telephone in the following manner:
  - 2 Realtors will be furnished when there are 2- 4 owners of a property - the owners who did not furnish the names, pick the Realtor from the by an open vote; Realtor's names furnished /when there are 5 to 12 owners of a property, one acceptable Realtor's name is provided for every 4 owners and when there are more than 4 owners and less than 8 owners or more than 8 owners and less than 12 owners an additional Realtor's name will be furnished for the fraction above 4 owners or 8 owners so with 10 owners 3 Realtor's names are furnished - the owners who did not furnish the names, pick the Realtor to be used from the Realtor's names furnished by an open vote; when there are more than 12 owners, no more than 4 Realtor's in addition to Sec. 5.A.3.c. names will be furnished/- the owners who did not furnish the names, pick the Realtor to be used from the Realtor's names furnished by an open vote; when there is acceptable a tied vote, the owner who furnished the Realtor's names.

## 3. SELECTION OF REALTOR - (continued):

as specified in this Sec. 5.A.3.b., will vote to break the tie and the Realtor to be used will have been selected.

- c. Whenever a listing of a Realtor lapses, everything in this Sec. 5.A.3.a. and 5.A.3.b. as is repeated specified herein/and one of the Realtor's names in addition to what is specified in Sec. 5.A.3.b., furnished/~~must~~ be the name of the Realtor most recently used; <sup>other</sup> ~~names~~ furnished could include any Realtor's name previously used before the most recent Realtor used.
- d. When a Real Estate Agent is not a Realtor, but works in a Real Estate office for a Realtor, replace the word Realtor in the Sec. 5.A.3.b. with the word Agent.
- e. More than one Real Estate Agent, working for the same Realtor, can be furnished as a separate and independent name when a minimum of at least <sup>are</sup> 2 separate Realtors/Real Estate firms / employers of these Agents.
- f. Any Realtor or Agent, whose name is furnished, must already have agreed to accept and work on the listing to sell the property before that name is furnished to all the owners but, if for any reason that Realtor or Agent changes his or her mind after being selected by an open vote, the Realtor or Agent receiving the second highest number of votes, in that open vote, is the one selected to list the property For Sale; other names are not added to the original list of

## 3. SELECTION OF REALTOR - (continued):

names furnished, by the only owner who has been furnishing the names, unless all partners or all owners undivided agree by written notarized agreement to be furnished to the closing attorney later.

- g. Once the open vote to select a Realtor or Agent has taken place, those owners undivided or partners who did not vote, after being notified as specified in Sec. 5.A.3.b., have waived their right to vote.

## 4. REQUIREMENT OF SIGNATURES:

- a. When signatures of each of all of the owners are required on necessary documents for the purpose of selling the property/~~for the completion of the sale of~~ of/the property like the Listing Contract, the Sales Contract, the Deed, etc., a minimum of at least one real owner,<sup>who is an owner</sup> at the time the sale is initiated, must sign each document; the signatures of each of all of the owners is desirable but if any of the owners refuse to sign, or do not sign after one real owner has signed, the Clerk of the County Commission will sign each owner's name, who does not sign, and after signing that owner's name add: by his or her name. Clerk of the County Commission; this will then be a valid Listing Contract, a valid Sales Contract, a valid Deed, a valid necessary document for the purpose of selling the property/~~for the completion of~~ /the sale of the property when all the requirements in this Act have been shown to have been met to that Clerk of the County Commission or other person, instead designated by this Act, rather than the Clerk of the County Commission.

COMMENTS:

The Disposition of Property, as specified in the State Code before the passage of this Act, cannot be complied with because the State Code requires that an owner appear in the State/in the Court in the State; fighting owners, and their agents, have caused physical warfare, financial warfare and more against another owner creating concern for the safety of the individual, an owner, to appear in the State and thus this new Act is necessary.

Also, there are <sup>almost</sup> no buyers for an undivided share of a property because that new buyer does not want to be partners or an owner undivided with other owners when those owners, and their agents, cause physical warfare, financial warfare and terror against an owner; that buyer would not be able to do anything with his share undivided or his partnership so it would be a bad purchase - he would be buying into a lot of time wasted and trouble.

Further, with the large deficit in the Federal Government and the need for jobs and money in the State, and the State Budget, we can no longer allow Real Estate owners to be told, by omission, "We don't want your money!" - we can no longer allow Real Estate to produce less in revenue and jobs than it can while some Real Estate owners want to sell, want to pay taxes and want to create jobs: THESE REAL ESTATE OWNERS ARE CUSTOMERS OF GOVERNMENT WHO CAN AND WANT TO PAY TAXES! We can no longer abuse these often millionaire citizen-owners, often without other funds, who are being forced into living without their Real Estate assets as they are also told they must pay more taxes and thus do without, or do with less, food, home heat, gasoline, etc.

THIS NEW ACT IS THE SOLUTION!

6. NEW "SPECIAL NEEDS" TAX TO BE PAID TO THE STATE:

- A. NEW "SPECIAL NEEDS" TAX IS TO BE CREATED AND PAID TO THE STATE, in the County and the State in which the property is located and sold, <sup>paid</sup> by all the owners who were owners when the sale was initiated from the proceeds of the sale of the property that is sold as specified in this Act, in the total amount <sup>due</sup> of 1/2 of 1% of the sales price, paid to the Clerk of the County Commission in order to complete the sale of the property.
- B. This tax is to be used for "SPECIAL NEEDS" of other citizens and industry in that State; For example, the coal industry will be hurt by the new BTU TAX in its export business and will have to raise the price of coal to offset the tax it has to pay to the federal government - the higher price of coal will affect its export sales volume and export business; If, however, the coal industry could be helped/reimbursed by money from this "SPECIAL NEEDS" TAX in the same amount it loses in its payment of BTU TAX and thus not have to raise its coal prices, the coal industry with a NEW "SPECIAL NEEDS" in a State with a "SPECIAL NEEDS" TAX, would benefit - as this industry, in a State without a "SPECIAL NEEDS" TAX paid to the State, <sup>price and</sup> would not benefit and could not compete in its export coal/business. Another example, would be to help individual citizens with their home heating bills in that State that has this "SPECIAL NEEDS" TAX; Without the financial help for home heating bills, the citizens could be freezing, and thus get sick, and thus need to go to the doctor, and thus drive up the cost of medical care, the opposite of what the new federal taxes and new federal plans are supposed to do.
- THE NEW "SPECIAL NEEDS" TAX TO BE PAID TO THE STATE, WOULD GIVE THE STATE ITS OWN FINANCIAL HELP IT IS NEEDLESSLY DOING WITHOUT.

C. THE STATE IS ALSO NEEDLESSLY DOING WITHOUT TAXES THAT COULD  
BE OWED TO THE STATE AFTER TAXES ARE PAID TO THE FEDERAL  
GOVERNMENT FROM THE SALE OF THE PROPERTY, FROM THE INCOME OF  
THE CASE INVESTED, AND FROM THE INCOME OF THE <sup>NEW</sup> JOBS CREATED.

7. PENALTIES:

- WILL FOLLOW WHEN WRITTEN -

A.

B. In order to enforce any violations, any owner may use closed circuit television to the Court, rather than a personal appearance, so that a Court appearance by any owner may never/<sup>be</sup>required as specified in this Act; Also, any owner may call another owner and/or the Clerk of the County Commission and accurate information/<sup>requested</sup>must be given to that owner, calling by telephone, on the telephone.

8. That an emergency exists and this Act is in force from its passage.



OTHER ITEMS OF IMPORTANCE, NOT TO BE INCLUDED AS PART OF ACT, WILL FOLLOW WHEN WRITTEN - BUT PLEASE ADVISE IF YOU NEED TO RECEIVE THEM BY A CERTAIN DATE:

HOW AND WHAT TAXES WILL BE GENERATED TO LOWER THE DEFICIT AND TO PAY FOR NECESSARY SPENDING, RATHER THAN CUTTING NECESSARY SPENDING;

JOBS THAT WILL BE CREATED:

BENEFITS TO DEPARTMENTS OF TREASURY, JUSTICE, HHS, AGRICULTURE, TRANSPORTATION, ETC. AND BENEFITS TO THE CITIZENS;

HOW THIS ACT WILL HELP THE STOCK MARKET AND WHY WALL ST. WILL WANT IT;

HOW THIS ACT WILL ENABLE INTENT TO BE CARRIED OUT;

HOW THIS ACT WILL STOP SERIOUS ABUSE AGAINST CITIZEN-OWNERS AND OTHER CITIZENS;

WHY THIS ACT WILL BE WANTED BY BUSINESS, REALTORS, THE CONSTRUCTION AND BUILDING TRADES AND OTHERS;

THIS ACT WILL GENERATE NEW PLACES AND NEW CUSTOMERS FOR NEEDED REVENUE.

ALTERNATIVE COURT APPEARANCE ACT

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P. O. Box 1032  
Washington, DC 20013

ALTERNATIVE COURT APPEARANCE ACT

BILL NO.

Be it enacted by the Legislature of West Virginia:

1. That the Code of West Virginia is amended by adding the

ALTERNATIVE COURT APPEARANCE ACT as follows:

A. Closed Circuit Television to any Court in West Virginia is allowed for any individual or individuals, including residents and non-residents, who have a concern for their safety when safety of the individual is a concern; we can no longer deny attendance to a trial because an individual or individuals who have a need to appear in any West Virginia Court, including the West Virginia Supreme Court, cannot do so because of any threat/<sup>of harm</sup> or appearance of threat/<sup>of harm,</sup> directly or indirectly, covert or overt, to their safety, in their judgment, were they to attend.

B. If funding is an issue, telephone access to the Court is permissible <sup>personal</sup> rather than appearance or the use of Closed Circuit Television to the Court, when safety of the individual is of concern.

C. Penalty\_\_If any individual or individuals are denied the use of Closed Circuit Television or the use of telephone to the Court as specified in subsection A or subsection B, that lawsuit shall result in that individual or individuals winning the lawsuit, at that time, because all citizens must have the right to be heard in a trial they can safely attend, somehow, and this penalty will insure this right to all individuals.

2. That an emergency exists and this Act is in force from its passage.

CIVILIAN ENTRAPMENT FALSE COURT FILING ACT

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P. O. Box 1032  
Washington, DC 20013

CIVILIAN ENTRAPMENT FALSE COURT FILING ACT

BILL NO.

Be it enacted by the Legislature of West Virginia:

1. That the Code of West Virginia is amended by adding the  
CIVILIAN ENTRAPMENT FALSE COURT FILING ACT as follows:

A. When a citizen or citizens are entrapped by another citizen or  
citizens or a lawyer or lawyers or all of the above, and then sued by  
that citizen or citizens or a lawyer or lawyers or all of the above who  
created or caused or took part in any way in that entrapment, those plaintiff  
citizens and their lawyer or lawyers, or the <sup>plaintiff</sup> ~~citizen-lawyer~~ if a lawyer  
is the citizen who took part in any way in that entrapment and is  
representing himself as his own lawyer, shall each be guilty of a felony  
for a FALSE COURT FILING RESULTING FROM THAT ENTRAPMENT OF A CITIZEN OR  
CITIZENS.

B. Penalty—Upon the filing of the lawsuit, that is a FALSE COURT FILING  
RESULTING FROM THAT ENTRAPMENT OF A CITIZEN OR CITIZENS, the Criminal Court  
shall promptly be called upon for the sentencing of a felony on all parties  
involved in the CIVILIAN ENTRAPMENT FALSE COURT FILING.

2. That an emergency exists and this Act is in force from its passage.

**TESTIMONY OF CORNELIA D. GIBBONS  
SOUTH CAROLINA DIVISION FOR REVIEW OF FOSTER CARE OF CHILDREN**

**COMMENTS ON "427 REVIEWS" AND BLOCK GRANTS**

The South Carolina Children's Foster Care Review Board System (FCRB), was created in 1974 to prevent children from remaining in foster care longer than necessary. South Carolina was the first state to enact legislation to implement foster care review on a statewide basis. In 1977, the FCRB was established as a separate state agency. On July 1, 1993, as a result of Restructuring, the Foster Care Review Board became the Governor's Office, Division for Review of Foster Care of Children. Currently, the FCRB is a Division of the Governor's Office and continues to exercise its statewide legislative mandate to review all children placed in public foster care.

In 1980, Congress passed Public Law 96-272. The Foster Care Review Board System has served as the third party review system required under P.L. 96-272 since 1980. Consequently, the FCRB has been involved with each "427 review" conducted South Carolina.

A recent audit of the Division for Review of Foster Care conducted by the South Carolina Legislative Audit Council found that the conditions that prompted the creation of the foster care review system in 1974 still exist. The implication is that a system of citizen review used to determine compliance with the child protections established under P.L. 96-272 are still necessary. The audit further indicates that the effectiveness of the citizen review process would be enhanced if the system had the authority to enforce its recommendations. In South Carolina, the solution to enforcement rests with the creation of a cabinet form of government. The review system is able, through the Office of the Governor, to have a tremendous impact on the delivery of services to children in foster care.

The Division for Review of Foster Care of Children endorses block granting federal child welfare services and foster care programs back to the states and believes that block grants will strengthen the states ability to deliver these important services to children. The intent and the clout of the "427 reviews" should be transferred to the states in order to provide accountability on a state and local level for the expenditure of these funds and provision of child protections. This accountability should include monitoring of the quality of the services delivered to each child and family with the end goal of finding the permanent home for each child in a timely manner. The Division recommends that the intent and clout of the "427 reviews" be maintained and transferred to state citizen review systems. Volunteer citizen review systems provide cost effective, objective monitoring and clearly make government accountable to citizens at the local level.

Among the child protections which should be monitored for each child are:

1. a description of the type of home or institution in which the child is to be placed;
2. the discussion of the appropriateness of the placement;
3. a plan to achieve placement in the least restrictive, most family like setting;
4. a plan for placement in close proximity to the parents home consistent with the best interest and special needs of the child;
5. a statement of how the responsible agency plans to carry out the placement;
6. a plan for ensuring that the child will receive proper care; and,
7. a plan for providing services to parents, child, and foster parents to improve conditions in the parents home, and facilitate return of the child to the home;
8. a plan for placing the child in another permanent home within 12 months if the parents home cannot be made safe.

The focus of all the safeguards should be to ensure that all children are safe, protected and have families.

# THE SSI COALITION

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## FOR THE RECORD

HOUSE WAYS & MEANS SUBCOMMITTEE ON HUMAN RESOURCES  
FRIDAY, JANUARY 27, 1995

### WRITTEN TESTIMONY OF

Barbara A. Otto  
National Coalition Coordinator  
The SSI Coalition

The SSI Coalition, a national Chicago-based grassroots coalition advocating for rights and respect for recipients of Supplemental Security Income (SSI), urges Congress to maintain the current structure of cash benefits for the children's SSI program. Each year the SSI Coalition receives thousands of calls from parents of children with severe disabilities. These calls range from complaints about difficulties with the application process for SSI benefits, to requests for assistance with provider referrals or legal referrals. Most recently these calls have taken a more political tone: as debate in Congress heats up around entitlement programs, more and more parents worry about the fate of their children and the SSI program as a whole.

The SSI children's program was established to help low-income families with disabled children stay together. The extra expenses incurred when caring for a child with a severe disability often wipes out a family budget, knocking families out of the economic mainstream and making them eligible for SSI benefits. Nearly 850,000 children receive SSI benefits: children with mental retardation make up the largest segment -- 44%; 34% have physical disabilities; and 22% have psychotic and neurotic disorders.

Kimberly and John Harmon present a typical example of a family's economic challenge to care for children with severe disabilities. Their five year old son Cy has multiple disabilities, among other impairments he is mentally retarded and wheelchair bound. The Harmons are a two parent working family dedicated to the responsibility of raising a child with severe disabilities. Their goal is to provide Cy with the care he needs so he can become a productive member of society.

Raising Cy at home poses very real economic challenges for the Harmons. Nearly all of Mrs. Harmon's wages as an executive assistant go towards the additional expenses of caring for Cy -- home modifications like a handicap accessible bathroom; adaptable toys; adaptive clothing; transportation costs; and specially trained child care providers. Like most parents that work and care for their disabled child at home, Mrs. Harmon is underemployed due to the time and energy requirements of raising a child like Cy.

Current proposals to eliminate the cash payments for low-income families on SSI would drastically affect families like the Harmons. Families use cash payments to cover expenses such as medications and physician visits to regulate medications, children's wheelchairs and family counseling -- all medical related costs not covered by either private or public health insurance. Some use the benefits to offset their loss of income because a parent must remain unemployed or, as in the case of the Mrs. Harmon, under-employed to care for a child with disabilities.

The loss of cash benefits would inevitably increase the number of children on state and local public assistance rolls. The Harmons, for example, could be forced to surrender custody of Cy if their financial ability to properly care for him were to decline. For families on the economic edge, the flexibility of cash payments helps them juggle their family budgets just enough to keep their heads above water. Often it can mean the difference between deciding whether to pay the rent or buy groceries.

Proposed voucher systems can not meet these day to day needs. Existing voucher programs lack provisions ensuring that suppliers of services will accept this form of government payment. Medicaid, for example, is plagued by too few medical providers willing to accept voucher payments.

In addition, many families with children on SSI do not qualify for other federal assistance programs like food stamps or Aid For Families with Dependent Children (AFDC). Even if they were to qualify, these federal programs alone do not meet the special needs of these children and frankly, at a time when all entitlement programs are under review, it is irresponsible to propose such an expansion of programs like AFDC.

The bottom line in this debate must be what is best for families like the Harmons. While drastic cuts in programs like SSI may be politically convenient for Washington, D.C., the net effect is anti-family and negative for the nation as a whole. The loss of the federal benefits that parents now spend on behalf of their children will make the increase in costs to state and local governments inevitable. A worst case scenario sees foster care and institutionalization becoming the norm as more and more families will lack the financial resources to properly care for their children at home. Congress should not try to cure problems in the existing program by throwing the baby out with the bathwater. We believe any abuses within the program could be cured by a better monitoring system within SSA.

The Harmons, like most parents, want the best for their child. They feel Cy can reach his full potential if he's given the environment and services he needs. Their goal is for Cy to become completely self-sufficient. This is why the Supplemental Security Income was created. Any changes in this very critical program must consider families like the Harmons.

For more information please contact Barbara Otto, Coalition Coordinator, The SSI Coalition (312) 427-4830 ext. 227.



TESTIMONY  
ON  
CHANGING ELIGIBILITY FOR SSI  
HOUSE OF REPRESENTATIVES  
COMMITTEE ON WAYS AND MEANS

I am the project director for a SSI Outreach Project funded by the Social Security Administration and located at the University of Maryland Medical System in Baltimore, Maryland. This project began in 1/93 and is designed to conduct outreach to individuals who have serious and chronic psychiatric illness. (Schizophrenia, bipolar disorder, and major depression comprise most of the diagnoses).

Last year, the project focused on those individuals who were also homeless. This year, the project was not restricted to individuals who are homeless but remains designed to serve those with chronic and severe mental illness. The project is authorized to recommend the payment of presumptive benefits to individuals who are found to be disabled based on an extensive review of history and a clinical evaluation. We then submit comprehensive medical evidence to DDS for a final determination. For those whom we determine are not eligible for presumptive benefits, applications are submitted through the routine process.

Besides the obtaining of benefits, project staff assist individuals with obtaining housing including supervised housing when needed, psychiatric and medical treatment, case management services, and other appropriate services.

Although the project is funded by Social Security, we estimate that we also save money as cases that are submitted are well documented and take much less time to process than do the usual claims based on psychiatric impairment. In addition, project staff complete the applications and obtain any necessary documentation for non-medical criteria. This, too, saves the SSA in staff time and costs.

From 1/93-6/94, this project screened 137 for SSI benefits. Applications were completed for 81 individuals. Fifty-four were awarded presumptive benefits, and 27 applications were submitted through the routine process. All 54 individuals were found eligible for ongoing SSI benefits; 70% of those found not eligible for presumptive benefits were denied SSI.

Through our work, we have learned that simply cutting off SSI to certain groups of individuals will likely only lead to increased homelessness, more crime and increased social problems, not less. Caps on spending and the elimination of SSI as an entitlement would greatly harm those who are the most vulnerable and the poorest in our society, those with serious mental and physical disabilities. A few cases illustrate how SSI has significantly improved the lives of these individuals:

(1) A 26-year-old man was admitted to the inpatient unit of University Hospital with a diagnosis of schizophrenia. He had been living with his mother and another brother, who is a few years older and who also has schizophrenia, in a house in a very poor section of west Baltimore. He had virtually not left the house for three years and spent his day sitting on his bed, hallucinating and delusional, reading the bible. He was a bright young man who had begun college but was unable to finish because of his illness. He had a very gentle way about him. Neither brother received any treatment. Their mother was the sole support of the family through her factory earnings.

In late December, 1992, the mother was laid off. In February, 1993, she suffered an aneurysm and lay on the floor of the living room for two days. The brothers, being psychotic and unable to think clearly, thought she was dead and called a cab. They did not think to alert the paramedics at the fire house a short distance away. The cab did not come. After two days, a relative stopped by, felt that the mother had a pulse, and called the paramedics. The mother was taken to Shock Trauma where she remained in a coma for about 3 months.

As the brothers had no income and had no idea what to do, the rent was unpaid. They soon lost heat, hot water, and electricity. It was the winter and very cold. The older brother accidentally set a fire in the house. When the fire department arrived, the younger brother refused to leave the house, denying that there was a fire. He was taken to the hospital and was admitted psychiatrically. Upon admission, he was so dirty that the staff believed he had a skin disease. It was simply crusted dirt and scaly skin. He did not know how to shower and had to be shown over and over. The house was damaged from the fire and was boarded up. The older brother pried the boards and continued to live there.

We first met the younger brother while he was in the hospital. We quickly realized his older brother needed help, too, and, along with case management staff, made a home visit. At first the older brother would not talk with or respond to us. Gradually, as we persisted, he finally came in to the office. We had him evaluated by a psychiatrist and obtained SSI benefits for both him and his younger brother. We referred them to a mobile treatment unit (MTU) that does outreach and treatment. Home visits were made by MTU. They began to look for alternate housing, as the brothers were still living in the boarded up, later condemned, building. The mother came out of her coma and was admitted to a rehabilitation facility. She gradually began to be able to walk and eat. It was clear she would not be able to return to work. Family members in another county were located and contacted and became involved in the situation.

Finally, an apartment for the brothers and mother was located near their family members, and the brothers continued treatment in this other county. The younger brother began to attend a psychosocial day program where he could begin to receive prevocational training. Without intervention and the support of SSI, these brothers were at high risk for grave harm, possibly death, as they clearly could not manage on their own.

For these brothers, their untreated schizophrenia meant that their thinking was extremely disordered, and they were unable to be realistic in meeting their basic needs. Coordinated efforts

and financial support allowed them to become less psychotic, more organized, and make some plan for making use of the potential they have.

(2) A 32-year-old, single man had literally lived on the streets of Baltimore for 5 years. He slept on a park bench, kept his few belongings there, and ate out of trash cans. He spent much of his day talking on a broken phone, to no one. He was afraid to leave his area and would not go to a shelter or soup kitchen. He was referred to our program from the DSS homeless outreach team.

When we went to meet him at his bench, in August, he was wearing layers of heavy clothes (a diagnostic sign of psychosis). He was so infested with bugs that there were egg casings on his eyelids. His fingernails were coming loose from the bug infestation underneath. As we completed the paperwork with him, the bugs jumped off of him onto our papers. The psychiatrist later went with us to see him and diagnosed this man as having schizophrenia. He was soon admitted to the hospital and diagnosed as having pneumonia and AIDS. He was extremely weak, depressed, psychotic, and was not walking. The DSS homeless outreach team located a hospice for him, and he was placed there.

Using his SSI, we bought him clothes and other necessities and provided for medical care with his medical assistance. He died in December, 1993, less than 4 months after we met him. At least, he did not die on a park bench, unknown and uncared for. This would have been likely had we not been able to obtain SSI benefits and treatment. He had no one in his life but us.

Many of the homeless individuals that we served last year not only had diagnoses of serious psychiatric illness but also had diagnoses of substance abuse. Roughly 84% of our project's cases last year had these dual diagnoses of severe mental illness and drug or alcohol abuse. Our work focused not only on obtaining psychiatric treatment for them but also substance abuse treatment. This is especially difficult as such treatment (e.g., 30-day inpatient programs), other than outpatient based treatment, is extremely difficult to obtain for individuals who are financially poor. This, of course, includes individuals who receive SSI.

Through the efforts of project staff, working closely with other programs, we were able to assist individuals with reducing or eliminating their substance use. In addition, our project served as representative payee and managed funds for these individuals.

Combining the provision of SSI with obtaining services and treatment can be a very effective strategy. Two cases are illustrative:

(1) A 35-year-old man, homeless for several months, had been hospitalized psychiatrically thirteen times. He was hospitalized seven times from June, 1993-January, 1994 for major depression and substance abuse after the death of his 3-year-old son, who died of leukemia in June, 1993. Often, he would be discharged from one hospital one day only to enter another that same day, complaining of suicidal thoughts. He never followed up consistently with outpatient treatment and continued to drink heavily. He had been incarcerated three times for minor crimes.

He was referred to our project during one of his hospitalizations. We placed him in psychiatric crisis housing after his discharge and ensured that he kept his outpatient clinic appointment. He began to attend AA and gradually became very involved in this program. We served as his representative payee.

At first, he was impulsive, did not follow up with treatment, would demand money frequently, and made many plans that he did not follow. Gradually, this lessened. We formulated budgets with him and insisted that he follow them. He found a place to live. We paid the rent directly as well as his other bills.

After a year of working with him, he now attends outpatient treatment regularly, is in a psychosocial day program in which he is receiving vocational training (including learning how to use a computer which he enjoys very much), and he has been sober for over 9 months. Soon, he will take his GED test and will begin a part-time job working in the kitchen of the psychosocial program that he attends. He continues to live in his own place.

(2) Another man, age 42, had been homeless for 4 years and had been a heavy alcohol and cocaine user. He, too, had been frequently hospitalized (10 times in 12 years) for major depression and substance use and had never attended outpatient treatment on a regular basis. When we met him in the VA hospital in October, 1993, he was hopeless, was so depressed that one could feel it in the room, and trusted no one. Very gradually, we began to work with him. He, too, was placed in psychiatric crisis housing. We invited him to begin to attend, for short periods of time at first, our psychosocial program. He began attending outpatient treatment and received medication and therapy for his depression. We also served as representative payee for him.

Gradually, he began attending the psychosocial program on a regular basis. After several months, he began to work a few hours a week for a friend's restaurant. We helped him find a room to rent. Recently, he obtained a public housing apartment so that he now has his own bathroom and kitchen. Except for a single lapse, this man has remained sober now for over 11 months. He has no hospitalizations. After his lapse, he realized he may need more effort in terms of substance abuse treatment and has set this up.

These cases illustrate that a coordinated effort of financial benefits, treatment, responsibly using the representative payee system, and persistent interest and involvement by appropriate clinical staff in an individual's progress and provision of services can help individuals make significant changes in their lives. These changes not only provide definite enhanced quality of life to the persons but also save public dollars in the extremely costly areas of hospitalization and incarceration. In addition, well-spent dollars lead to individuals' being able to lead more productive lives and, often, to work.

Much media and political attention has been paid lately to substance abusers' receiving SSI. Those receiving SSI because of substance addiction alone are only a fraction of the total population receiving SSI, between 1% and 2%. As we have attested, individuals with substance

abuse problems can make gains if they receive appropriate and intensive treatment. Surely, a more reasonable and effective approach to the problem of substance abusers is to provide responsible representative payee programs, accessible inpatient and outpatient treatment, and collaboration with clinical programs to ensure that treatment recommendations are followed.

If the Congress is concerned about SSI being used by individuals for drugs and alcohol, it would make sense to form partnerships with treatment programs that would also serve as representative payees for SSI recipients. While it is a more difficult task, it is more responsible and makes more sense to fine-tune the program rather than to eliminate whole categories of people or put caps on spending.

Reviewing and changing the representative payee requirements, funding substance abuse treatment programs, forming collaborative efforts with treatment providers to be representative payees, forming partnerships with clinicians to assess individuals and to have greater input into the process will serve all of us better. Quick solutions, such as funding caps, are short-sighted, harmful and, over time, would cost in other ways such as increased crime, increased homelessness, institutionalization, and the loss and destruction of individuals who, with appropriate help, could contribute productively to our society.

Submitted by:



Yvonne M. Perret, LCSW-C

Project Director  
SSI Outreach Project  
Harbor City Unlimited  
University of Maryland Medical  
System, Inc.  
Baltimore, MD

**CRIME AND THE HOUSING PROJECTS**  
 By Bryce A. Suderow, Editor "Street Stories"

According to tenants who I've interviewed, the crack addiction rate in the housing projects on Capitol Hill ranges from 50%-75% and over 90% of people in the projects are addicted to either crack, heroin, alcohol or prescription drugs. Subhuman conditions in Washington D.C.'s housing projects have produced this need for escape. I've visited many of these projects and found sewage pipes so inadequate that they backed up regularly and spewed human feces into the apartments of tenants. I've seen electrical wiring so old and frayed that wall sockets burst into flame. I've seen bathrooms where tenants were afraid to use the toilet because their bathroom ceiling was caving in and they were afraid of injury from falling plaster. These conditions are typical, whatever the Department of Public and Assisted Housing admits.

The need for crack has produced a crack economy in the District's housing projects. This shadow economy mirrors the economy outside public housing, only all the economic activities are illegal. In the external world, legitimate business firms seek employees and groom them for executive positions; in the housing projects, drug dealers are on the lookout for enterprising black males who want to work hard. Dealing provides jobs for perhaps 75% of black male teenagers and twenty-something. From the young ten year old to the ancient thirty year old, they're all looking for an opportunity to move up the business ladder another rung.

In the world outside the projects, bankers lend money to solid citizens; in the housing projects, well-to-do tenants lend money to desperate mothers at 100% interest. Other tenants buy food stamps from food stamp recipients at two for a dollar and then sell them at their face value.

In the outside world, a small-time business person buys a truck and landscaping equipment to do yard work. Or he/she purchases a computer to do free-lance word processing. In the projects, enterprising welfare mothers have one invaluable resource, their apartments. They rent out their rooms to the crack users who visit the projects from Maryland, Virginia and other parts of the District to buy crack. The crack smokers rent the apartment for as long as they have money, then they've got to leave because there's someone else waiting to take their place. The mothers also act as go-betweens for the crack smoker and the dealer and steal as much as a third of the crack for their own use. They even procure crack-addicted women to the smokers who want to mix crack and sex.

The mothers also rent their apartments to crack dealers, 80% of whom live outside the project where they do business. The dealers need those apartments to cut up the crack into smaller quantities, to cook the crack, to sell crack from, or to hide in case the police come looking for them.

When all else fails, a crack-addicted mom can sell her body. She makes it known that she's willing to sleep with the drug dealers or the crack smokers in exchange for a little crack. Some of the most desperate women trick on the street outside the projects, but they are only a handful. Among these pathetic women, the going rate for a few minutes of sex ranges from as low as \$5 to as much as \$20.

Crack has produced a bartering system in which the new drug selling entrepreneurs make the rules because they are the nouveau riche of the ghetto. Project tenants barter their TVs, VCRs, and CD systems to the drug dealers in exchange for crack; street people steal from stores surrounding the projects and bring the drug dealers Blockbuster videos, CD records, or designer athletic outfits. Among the dealers, the going rate for a VCR or color TV is a few dimes of crack, a paltry fraction of their real worth.

The primacy of crack has caused the complete breakdown of the black family in the inner-city. The kids are raising themselves. They know that their own mothers don't care whether they live or die and they grow up full of rage but bereft of all human feelings or any sense of the value of human life. They hate themselves and everyone around them and they don't care whether they live or die -or whether we live or die.

The rage of these children has completely destroyed the social structure in public housing. Complete anarchy reigns and everyone fears everyone else. Parents fear their own kids. Adults are afraid of children. Outside the projects, the kids have taken their rage onto the streets of Washington, D.C. and are currently killing each other at the rate of 450 per year. Nationally, black homicides now average 11,000 a year. In the past eight years, nearly 78,000 black people have been killed. By comparison, the eleven year Vietnam War produced 4,000 black combat deaths in the U.S. Army.

The violent behavior of the children from the projects now threatens the safety of all of us. Kids with guns share the subways and buses with us, they mingle with us in shopping centers and shopping malls, they attend classes with our children, and they walk alongside us on the streets of Washington, D.C.

In this article, I shall examine the crack economy of the projects, the impact

it has on the children growing up in public housing, the violence these children commit outside the projects, the black community's response to the violence, and some solutions to the violence that has claimed our cities.

#### **The Economy of the Housing Projects**

What you have in the projects are single mothers, most of them crack addicts, trying to raise four or five children. Generally, the children do not have one father, but are the issue of two or three fathers and the fathers play no part in their children's lives - they're either in prison or hustling on a street corner. Because the mothers are on welfare and they have children, they're entitled to a monthly AFDC check and food stamps.

As soon as the monthly welfare check arrives on the first of the month, it's gone, usually in two or three days. It certainly isn't going to be spent on its intended purpose, clothing and other necessities of life for the children. It's spent on crack cocaine. Then the food stamps arrive. They're supposed to feed the children, but the same thing happens to them and they're gone in two days. They're converted into cash and the money is spent on crack.

Now the single mother has a problem. No, it's not that she has four or five kids and there's no money coming in to feed and clothe them. That's furthest from her mind. She's thinking there are 25 more days in the month before the next check arrives and she is wondering where she can get more money to buy crack.

To keep the supply of crack coming in, mothers in the housing projects resort to a variety of ways of earning money. The most common method is renting out their apartments to crack dealers and crack users.

You've got people coming to the housing projects to buy crack. They're from the wealthier parts of the District, from Maryland and Virginia. The mother knows she has an apartment. They need a safe place to smoke crack, so she provides this, for a price. As long as the crack-smokers pay money, they can rent a room for a night or even for as long as two or three days if necessary. Essentially, she turns her apartment into an opium den. Once the money is gone, she boots the smokers out, because there is always someone else waiting to take their place.

These people come with \$600, \$800, \$1,000 in cash to buy crack. They're not terribly thrilled about buying the crack directly from the crack dealer. After all, you're talking about dealing with twenty year old sociopaths who will rob you or kill you on a mere whim. So, the crack-addicted mom provides another service for crack smokers: She acts as a go-between for the smoker and the drug dealer.

Now the mother plays what is known as the crack game. If the person buying crack gives the mother \$100 to buy crack, she brings back \$40 or \$50 worth and tells him, "Here's your \$100 worth of crack." What's the smoker going to say? He may realize he is getting short changed, but he doesn't want to jeopardize the arrangement. After all, he has a safe place to smoke and he has someone who will buy his crack. Besides, he's so desperate for crack, he just doesn't care about being cheated just a little bit.

I've met tenants of housing projects who make as much as \$200 or \$300 in a weekend by playing the crack game.

Crack smokers usually want to mix crack and sex. To provide this service, the mother becomes a pimp. She finds a crack addict willing to have sex for a price (called in ghetto talk a "crack whore.") Sometimes, the smoker shares his crack with the woman he is having sex with. Sometimes he pays her in cash. The tenant gets \$10 or \$20 for renting the room for twenty minutes. The crack whore gets \$10 or \$20 for sex.

Another way the mothers in the projects keep the crack rolling in is by becoming allies of drug dealers. Roughly 80% of the drug dealers selling in a housing projects don't live in that project. They come from other housing projects and this means they probably don't have friends who will help them out at their place of business.

In most cases they arrive in the evening and stay until dawn. They need the people who live at the project to do things for them. For example, they come with their crack in large amounts so they need a place to cut up the crack into dime bags and other measures of crack. They may even need someone to cook their crack or mix it with other ingredients to stretch it out further. A single mother in need of more crack uses her apartment to do all these things and gets a portion of the crack in exchange. For helping cut up the crack, she'll get maybe \$10 worth per night. The other services pay more.

If crack dealers need an apartment to sell crack out of, the mother will let them sell crack out of her own apartment. If the drug dealers need a place to hide their weapons and drugs or to hide from the police, the mother will provide these services in exchange for crack.

When the crack dealers become hungry, they're reluctant to leave their posts in

front of the projects. After all, time is money. When they need food, a crack-addicted mother cooks their food or goes to the store to buy their food. My friend Vanessa Adams turned her kitchen into a fast food joint for the crack dealers in Potomac Gardens and made \$120 a night, all of which she spent on crack. Crack dealers need a place to rest or sleep for a few minutes, a place to use the bathroom. All of these services are available for a price in crack.

When all else fails, a single mother sells her body for crack. In most cases, she makes it known to other tenants and crack dealers that she is willing to have sex in exchange for drugs or money, but only within the confines of the housing project. However, a few women from the projects become so desperate that they venture out of the projects onto the street. Some of them bring their customers back to their homes and after a time, they have enough customers who visit them that they don't have to trick on the street. Other women prefer to operate outside the home because they don't want their children to know what they're doing. They have sex in cars, in alleys, on school playgrounds. You'll find them on 8th Street Southeast or Pennsylvania Avenue between 10th and 13th Street in search of customers who want sex. The going rate for a blow job or sex doggy-style varies from \$5 to \$20. It all depends how extreme the crack whore's need is.

There are people who make money indirectly because of crack selling and buying. Desperate tenants in the housing projects often need to borrow money to buy crack or to purchase the clothes and food they neglected to buy with their check or food stamps. An entire class of loan sharks has sprung up in the projects. In Potomac Gardens, for instance, tenants tell me that an ANC commissioner and member of the Potomac Gardens Residence Council lends money and charges 100% interest. She'll take you to the bank so that you can pay her on check day.

Sometimes the drug dealers give crack on credit, called "ticks" in ghetto parlance. They'll distribute "free" crack a day or two before your welfare check is due. They too demand 100% interest and if you don't pay, you die.

There's a flourishing industry that converts food stamps into cash. Tenants need to convert their food stamps to cash and certain individuals buy food stamps at the rate of \$2 worth of food stamps for a dollar in cash.

A bartering system has sprung up in public housing because of the crack trade. At night, the projects turn into flea markets. I've known women who peddle their furniture, TV sets and other belongings to other residents, to passers-by on the street and to the drug dealers. My friend Vanessa Adams stole her own children's video games and sold them to dealers for a fraction of their value. Fairly well-to-do customers will sell their rings and rent their cars to crack dealers in exchange for crack. Street People steal and sell to the dealers VCRs, color TVs, telephones, watches, earrings, Cds, Blockbuster video tapes, tennis shoes, and designer athletic outfits.

The crack industry has proven a boon to the security guards and maintenance workers who service the projects. Most of the security guards in the projects are on the payroll of the drug dealers. The dealers pay them off to let them into the buildings. One of my sources told me he saw a black teenager hand a security guard at Arthur Capper a huge wad of money and a few days later, the guard showed up at work driving an expensive new car that he could never have afforded on his paltry salary. At Arthur Capper, too, a maintenance worker arranged the lock on a utility room so that the room appeared locked; actually, it could be opened by women who brought dates in there to trick. They paid the maintenance worker for this service.

The crack trade is the major employer of black ghetto males in their teens and twenties. Probably 75% of them work in this lucrative industry. Given their D.C. school education, that's about all they're suited for since most of them can't read or write beyond a fifth or sixth grade level, especially if they attended a ghetto school. Drug dealing becomes a way these kids can get power, status and respect in a community where no one cares whether they live or die. Even their own mothers don't care if they live or die because they're too busy smoking crack.

A friend estimates that in Building 501 of the Arthur Capper housing project, 300 of the 500 inhabitants were caught up in either smoking crack, selling crack or making money off crack in other ways.

#### **Effects Of Crack Addiction on the Housing Projects**

The housing projects are hellholes where violence always lurks just below the surface. Drug dealers beat, stab and shoot other drug dealers. They similarly punish drug users who bad-mouth the quality of their crack or fail to pay for their drugs on time. There is a lot of domestic violence in the projects. Men beat up women and children. Women abuse children. Children beat up and rape other children. Children torture and kill animals.

Most of the crimes in the projects never get reported, either because the victims are afraid to inform the police or because they correctly perceive that the police have very little interest in catching the criminals. Even when a victim



summons the MPD, the police often do not respond to the call at all. When they do, they generally wait about twenty minutes to give the criminals plenty of time to get away. When they arrive, they often don't even fill out reports of the violent incidents. This is what the projects are like.

The immediate impression you have when you enter most housing projects is that of utter chaos: The noise level is tremendous. The halls and stairwells are filled with playing children. Inside many apartments, there are 15 or 20 inhabitants, but it's hard to tell who lives there because cause there are folks coming and going all the time. In one place, the family consisted of a 40 year old grandmother, her sister, her sister's son, their two boyfriends, the grandmother's four or five daughters and their boyfriends and, finally, numerous grandchildren.

There are other apartments where a mother who is getting food stamps for her four or five children, but - although there are a lot of men and women coming and going - there are no children in the place. They're being raised by a grandmother or aunt, yet the mother gets the food stamps and the welfare check and spends them on crack.

The effects of crack addiction are devastating in the projects. The most unoffending and innocent victims are the children of the crack-addicted mothers. These little children aren't being fed, clothed or given any affection. You can see the immediate impact of these deprivations when you're there.

The crack-addicted mothers spend their time tricking and otherwise earning money to buy crack. Their children are entirely neglected and grow up dirty, ragged and starving. I vividly recall visiting a friend at 501 Arthur Capper on a Friday evening around supper time. Her daughter had spent all her money for crack and the daughter and her little boy were eating hot dog buns for dinner and these had been borrowed from a neighbor! I went to the store and bought them a big bag of groceries so they'd at least have food for the weekend.

The kids instinctively know that no one cares for them and very early on, they are filled with rage at their mothers and at the entire world. Even as young as six years old, they form into gangs and these become the only family they have.

If you pay close attention to the children of different ages in the projects, you can watch them turn into monsters. When they're two or three years old, they'll come up to you and want to hug you because they are starved for the affection that they're not getting anywhere in their lives. It breaks my heart to see these kids. They are so innocent and their entire lives lie before them, yet in my heart I know they are doomed because of the environment they live in and the association they'll form with other children.

By the time they're five or six, the kids in the projects are already starting to change. Last summer I was at Potomac Gardens sitting in front of Vanessa Adams' building, watching her children play. A five year old named Bret came over. His mother is a crack whore and she and Bret live with their aunt, who is an alcoholic. Bret is pretty much neglected in that household. He took my right arm and held it tightly for a moment. All of a sudden, he let go of my arm and started hitting it with his fists. He was so angry that he couldn't control himself.

I said to him, "Bret, I can't just let you hit me. If you keep doing that, you'll have to leave." He wanted the affection, but he was so full of rage that he couldn't stop himself. He sees violence all the time and frequently bears the brunt of it. Violence is all he knows and he was acting out his rage in the only way he could.

Bret and the other kids in the projects inflict violence on each other all the time. A couple of weeks ago, I was sitting in the park at 10th and Pennsylvania, two blocks from Potomac Gardens. Bret came over to the park with three of his friends, all of them five or six years old. They started playing and their game went like this: One little boy, who was bigger than the others, wielded a tree branch and he beat the other little boys with it one at a time. When each one cried, he stopped hitting them. His purpose was clear - he was taking out his rage on these other little kids and establishing his dominance over them at the same time.

These kids are imitating what they see in the projects. A couple of years ago, I saw a woman running down 8th Street as fast as she could run - right in the middle of the street along the strip separating the traffic lanes, clutching an umbrella. She was pursued by a man who caught her. She raised the umbrella to protect herself, but he punched her once in the face. He then walked off down the sidewalk and she fell into step behind him.

You watch this stuff and it's like watching animals. In packs, a dog will establish dominance by attacking another dog until the weaker animal lies on its back with his paws in the air, exposing its belly, thus signifying total submission. Dominance has been established and aggression satisfied and life can go on. This perfectly mirrors human aggression in the housing projects.

On another occasion, I was at Potomac Gardens watching a group of eight year olds play. Their game consisted of hitting each other in the face with the empty coke cans. Evidently, this didn't satisfy them. They started throwing coke cans at a little girl of about five years. She started crying as though her heart would break.

These kids also take out their rage on animals. They injure, torture and even kill dogs and cats. On one occasion, I was playing basketball at Kentucky Courts with a 14 year old who seemed a normal enough teenager. But when a cat walked across the court, he picked up the ball and tried to hit the cat with it. He also tried to kick the terrified animal. He wasn't playing. He really intended to seriously injure the cat.

I think the worst thing I've ever seen took place outside Southeast Library. I was sitting on the steps with a female friend of mine when a black woman approached with three tiny children. She was clearly on drugs. Her eyes were glazed and she stared off into space with a vacant gaze. Two of the kids remained with her, clinging to her dress. Her three year old son, however, approached us. He said to my friend, "Bitch." We were deep in conversation, so we didn't pay him any mind. But he said "Bitch" again and began hitting my friend with his fists. My friend told him, "I don't think it's a good idea for you to come up to strangers and hit them." He replied, "I don't care." That was learned behavior. The little boy was either imitating older kids, his parents or other adults - black men beating black women.

In the projects, the breakdown in community is so profound that nobody disciplines anybody else's kids. Nobody even chides bad kids for misbehaving or tells their parents about their misbehavior. Everybody is afraid of everyone else, especially of the kids themselves. If you report to a parent that their child is bad, they'll scream at you, "My child is not like that!" and they might hit you, stab you or shoot you. In fact, last summer, an adult tried to stop a fight between two children outside Kentucky Courts and one of the parents shot him!

#### Impact Of Housing Project Violence On the Community

The Rand Corporation recently completed a study of crime in three U.S. cities, including Washington, D.C. The study found that 90% of our violent crime originates in public housing. Here on Capitol Hill, there are five housing projects within a few blocks of each other - Kentucky Courts, Potomac Gardens, the Hopkins Apartments, Arthur Capper and Carrollsburg.

When the children in the housing projects reach the age of six or seven, they form gangs and begin roaming the streets. Interestingly enough, these gangs of young children consist of both boys and girls. Because their own mothers don't care what happens to them, the gangs are the only family they have. What the children lack in size, they make up for in sheer numbers. These little kids roam Southeast D.C. in packs 15 or 20 strong. They're out on the street and pissed off. They go into stores on 8th Street and Pennsylvania Avenue and steal from the merchants. They wander the streets and throw rocks and bottles at homeless women. They throw rocks and bottles at passing cars on 8th Street. On 8th Street, they open the doors to Phase 1, a lesbian bar, and throw rocks at the women inside.

Do most kids in the projects behave like this? I asked a woman at Potomac Gardens: "What percent of these kids are in gangs?" She told me she knew only four or five families whose kids were not.

The ultimate in terror are the teenage gangs from the projects. These kids range in age from 14 to 18 years old. They make their living by operating on the periphery of the drug culture and by mugging people and breaking into cars. They carry guns and knives and are perfectly willing to kill anyone in a rival gang, anyone who gets in their way, anybody who pisses them off. They are especially dangerous because they don't care whether they live or die.

For thrills these teenagers rape homeless women and beat up homeless men. They are so thoroughly dangerous that the police from 101 are afraid of them and under no circumstances interfere with their activities. I know of one particular incident where a gang tried to drag a homeless woman into an alley to rape her. When her boyfriend defended her, one of the gang hit him in the head with a brick. The homeless man pulled a knife to keep them at bay until the police came. The police officer was so anxious to avoid arresting the kids that he told the homeless man, "If you prefer charges against them, I'll have to lock you up for pulling a knife." His words had the desired effect. The homeless man did not press charges against the gang members.

One night I was at the 7-Eleven telling two teenage kids from the projects about the time two kids tried to rob me at knife point. I confessed to having been scared. One of them said, "What were you scared of? Either you live or you die." He wasn't acting or play a role. He really didn't care whether he lived or died.

I have seen the emotional life of these kids at close range. Their emotions are

dead, burned out. The only time they smile is when they are about to witness someone inflicting pain on someone else -or when they're about to inflict pain.

These teenagers are in a perpetual stage of rage. All they need is a minor incident to set them off. Most of them bring their guns wherever they go, to the shopping malls, to parties, and to school. The recent murder at Cardoso High School was a tragedy waiting to happen since these kids will pull out a gun at the slightest provocation and open fire regardless of the consequences. They don't care if they have to shoot twenty people to kill their target because they hate the entire world.

These are the effects of crack addiction in the projects: Unrestrained by adult authority, ghetto children roam our streets, robbing people and killing each other and any innocent bystanders unfortunate enough to get in the way. They're turning our streets, our schools, our shopping centers into battlegrounds and no one is safe.

#### Reaction of the Black Community To Housing Project Violence

The black community is never going to solve the problem of violence in the projects. Black people have been subjected to horrible racism for over 300 years, racism that still persists today. Anyone who doubts that racism still persists ought to read Andrew Hacker's recent and powerful book *Two Nations*.

Because of undying white racism, black society has developed three survival mechanisms to cope with racism's effects. First, it has developed what I call a "state of denial." Second, it has refused to hold other blacks accountable for their behavior. Third, to ensure solidarity, it has branded any black who opposes the will of the majority an Uncle Tom, an orso, a race traitor.

First, you have a "state of denial" in the black community towards its problems. A black friend described this as a defense mechanism against racism: If you have a problem you can't control, you simply pretend it doesn't exist. This black friend told me that in the days of slavery, if the slave owner raped a black woman and she became pregnant and had a baby and the infant was half white, her husband could do nothing. If he tried to obtain justice, he'd be killed and his family split up and sold to other masters. So he and the entire family pretended the problem was not there. This is how the "state of denial" operates.

On rare occasions the black community does address its problems, but it does so by claiming the problem is the result of a white racist conspiracy. Large numbers of black kids possess handguns and are killing 400 other black kids a year in the District. However, since the black community doesn't want to admit that its kids are out of control, it claims the guns were put there by white racists to cause them to commit auto-genocide. Mary Cox, the well-known columnist for "News Dimensions" actually said to me, "How did the guns get there? Black people didn't make them in factories! They didn't put them in the ghetto. White people did it so Black people would kill each other!"

In effect, the black community is saying, "The problem is beyond our control; the whites created the problem to destroy us and there's nothing we can do, because they are so much more powerful than we are. So we don't have to do anything." Similarly, in response to the AIDS crisis, black people claim white people invented AIDS to destroy blacks, so there's nothing they can do about it. They don't have to teach sex education or distribute condoms to their kids. It's easier to blame it all on the whites.

The second defense mechanism employed by the black community is a refusal to hold other blacks accountable for their actions. A couple of years ago, Albina Walker, an Afrocentric educator who awarded herself a diploma at her own school, was paid \$250,000 by the District to produce an Afrocentric curriculum. After two years she came up with an eight-page outline. The media in the black community did not utter a peep about this outrage. When the "Washington Post" quoted some Howard University professors who said that Walker was a charlatan, D.C.'s black community became enraged and rallied around Walker, claiming that this was a white racist conspiracy to defame a strong proud black woman.

The fact is, no matter how sleazy or criminal a black official or leader, the black community will rally around them. Diane Beard-Williams, Executive Director of the Coalition for the Empowerment of Children and Families in Los Angeles correctly states that black leaders use the race card to evade responsibility for their own actions. She writes: "In response to a race-card defense, we react just as we've been programmed to do. Instead of excoriating black leaders for falling in love with their power, image, and shameless sense of invincibility, African-Americans buy into the specially orchestrated drama that is calculated to stir up hatred, division and fear. . . . We must not, however, be pawns in the race-card game when our leaders have betrayed our trust, when money and power - not "the system" - is their short-coming. Instead of being so accommodating, we need to admit when we have been emotionally raped by those who have misused our trust. If they allowed ego and greed to amputate their social, economic and political lifelines, they alone should pay the price." ("Los Angeles Times," Aug. 29, 1994 B7)

As long as blacks refuse to hold their leaders accountable, there will always be irresponsible, crooked black officials because these people know they can get away with whatever they want to do.

A third survival mechanism among blacks promotes solidarity by branding anyone who opposes the majority a race traitor. Unfortunately, this means that if a black reformer speaks out about black problems, he runs the risk of being branded a race traitor. Here in Washington, D.C. this is precisely what happened to Council member William Lightfoot. On primary election night, he announced he was running against Marlon Barry who had just won the Democratic primary. Two days later, he backed down. He did this because Barry threatened to call him a race traitor. This fear of being branded a race traitor ensures that no one from within the black community will address in a meaningful way the violence coming from the projects.

Since 1966 when crack hit the streets, the black community in Washington, D.C. has lost over 400 dead annually to turf wars over crack. Nationwide, black America has lost 77,978 dead in the eight years war. This is a holocaust unparalleled in black history since the days of the middle passage. By comparison, during the eleven years of the Vietnam War, blacks in the U.S. Army lost 4,000 dead.

It is a bitter irony that the very defense mechanisms that preserved black society during over 300 years of racism now threaten to destroy it. Can you imagine what the black community would do if white people instituted a reign of terror that killed 10,000 black boys and girls a year? There would be a revolution. There'd be fighting in the streets. But since black people are killing other blacks, their community is mute on the topic.

When you ask most blacks how to stop the epidemic of violence, they suggest going to church to pray. The black community in Washington D.C. is perfectly willing to sacrifice 400 Antae Halls (the 16 year old killed at Cardoso High last week) per year. The black community nationwide is willing to lose 10,000 youths a year forever to avoid airing their dirty laundry in public and to avoid taking responsibility for their actions.

I have no doubt that black society will be destroyed unless its members overcome their resistance to holding welfare mothers and their children accountable for their actions. I see no hope unless blacks force their leaders to grapple with these problems in constructive ways. If blacks don't take these steps, their society is doomed.

#### **Solutions To The Violence**

How did the black ghetto family become parentless? First, black ghetto families are single parent households because black men - who were employed in unskilled jobs in steel mills and auto assembly lines - were laid off in the 1970s and 1980s in massive numbers. Second, at the same time, the welfare system told women on welfare, "If you have a man in your life, you can't get money; on the other hand, if you keep having kids, we'll pay you for each one that you have." Thus, what had been a solid two-parent family became a one-parent family because the welfare system excluded the father from participating in his own family life and went elsewhere to find work. Third, in the mid-1980s, the crack epidemic hit the streets of America and huge numbers of single women on welfare became crack addicts, thus leaving their children without any parents at all.

Rebuilding a stable black family is the answer to the problem of violence. With a stable family, children don't get out of control. To build a stable black family, we must first provide jobs and job training for black people on welfare, no matter what the cost. We must not repeat Bill Clinton's mistake of promising to provide job training and then abandon the attempt because job training is more expensive than handing out welfare checks and food stamps. We cannot afford to abandon the black underclass, because if we do, they will create a crime wave that will destroy us all.

It is perfectly clear to me that we taxpayers are subsidizing welfare mothers to give birth to sociopaths. It is also clear that these sociopaths are committing most of the crime in our cities. The question is, how are we going to put a stop to the violence?

The solution is reforming the welfare system. The Federal government must reform this corrupt, unworkable system. We black and white reformers who want change must stop thinking that black will solve the problem of violence in their own community themselves. They won't. We must persuade the Federal government to offer welfare recipients four alternatives to remaining on welfare. (Bear in mind the fact that welfare was never intended to be permanent.)

First, we must provide drug treatment programs for welfare recipients, instead of closing them down. We need to help the poor fight their addictions and give them a chance to lead normal lives.

Second, we must legalize crack. The prohibition of alcohol in the 1920s gave rise to a gangster element who ruthlessly slaughtered each other and innocent

bystanders over the distribution of alcohol; legalizing alcohol put them out of business because it took the profit motive out of booze running. Similarly, outlawing drug sales has created a gangster class who kill each other by the thousands every year. Legalizing crack would make the drug readily available and put the drug dealers out of business.

Third, we must reform and improve our schools so that ghetto kids have an alternative to drug dealing. Here in D.C. most ghetto kids can't even read or write beyond a fifth or sixth grade level. They don't have any alternatives to drug dealing. If you offer black youth education, job training and lucrative alternatives, many of the younger kids will choose to get regular jobs.

Fourth, we need to start a public works program for black youth modeled on the WPA programs of the 1930s. The Federal government must enroll black teenagers in repairing highways and building dams. This program will get them out of the ghettos and teach them discipline and hard work.

We must also make it clear to welfare mothers that certain behavior is unacceptable. We must say: You have those means of getting off welfare and you have so many years to do that. In the meantime, you can lose your kids and your welfare check if you engage in the following actions:

- o If you already have two kids and you have a third, you will be penalized. Either you won't get welfare money for that additional kid or you lose your welfare check entirely.
- o If you have kids who don't attend school, who chronically misbehave at school, who get into trouble on the streets, we'll take your kids away from you and take away your welfare check.

By stating these conditions, we are treating welfare mothers as responsible adults and telling them that certain behavior will definitely result in specific consequences.

We must send a message to the kids, too:

- o If you commit an adult crime, you'll be treated as an adult, whether you are 16, 14, or 10 years old. And when you reach 18, you won't get out of jail. You'll serve your full sentence.
- o If you kill someone, you will be executed just as adults are.

We also need to pass curfew laws that have teeth in them. Pre-teens and teenage kids don't have the right to wander the streets at all hours of the night. If they're caught, the parents and the kids should be put on notice. If children are caught wandering around the city during school hours, they should be warned. If the kids violate the rules again, the kids and parents should be fined or imprisoned. If there are kids in school who are troublemakers, get them out and put them in an alternative facility.

Here in the District, either Federal agencies or private agencies will have to take over a lot of the duties of the District government. The D.C. government clearly can't run its own foster homes, its juvenile detention centers, or its drug treatment programs. These programs must work if we are to make our society safe.

We must put an end to this violence on our streets. For the first five or six years of the turf war over crack, the violence was confined to the Black ghetto, but two or three years ago, this ceased to be the case. It is now spilling over into the rest of our city. The truth is, we are not safe anywhere any longer. Kids with guns share the subways and buses with us, they mingle with us in shopping centers and shopping malls, they attend classes with our children, and they walk alongside us on the streets of Washington, D.C.

Violence has occurred outside the ghetto in public spots on several occasions. At the Farmer's Market on U Street a few months ago, members of one gang opened fire on a crowd of people while attempting to kill members of a rival gang. Half a dozen innocent people were killed or wounded. At Union Station, a popular spot on Capitol Hill, one gang member shot another over an imagined insult. The Cardozo High School shooting makes it clear that our schools are not safe, either.

The police cannot protect us. They can't even guarantee security in their own headquarters. In December, 1994 a small-time drug dealer and murder suspect walked into D.C. Metropolitan Police Department headquarters and killed three police officers. A month later, after the MPD announced that security in their headquarters had improved, a handcuffed prisoner who was being booked for a double murder simply walked out of the building.

Washington, D.C.'s police force is largely inexperienced. At the First District's Substation No. 1, 80% of the police have less than five years experience on the street. The new commander, Capt. Fonville, has publicly stated that his toughest task is to motivate his officer to do their job - in other

words, to force his men to patrol the streets and prevent crime. Thanks to Marion Barry's ruling in 1989 that new police had to live in the District, most of our new police - 50% of the current police force - were recruited from the ghettos of Washington, D.C. They can't read or write, their training is inadequate and their ability and willingness to serve and protect us civilians is dubious at best.

Given the caliber of the MPD, it is not surprising that this city's drug dealers are not afraid of them. A year ago, Officer Jason White was killed near Kentucky Courts, a notorious housing project. I believe this cop killing signalled the beginning of a new and dangerous trend that will soon be out of control - the singling out of cops for assassination. This trend was delayed for a year because the police have stayed away from the housing projects and, on those rare occasions when they do visit these trouble spots, they go ten cars in a group.

However, a disturbing new trend has developed. Now, instead of being the hunter, the MPD is the hunted. An officer told me the criminal youth gangs are going over to the offensive against our police. He told me, "It's rough out there. It's hunting season. You never know what's going to happen." I predict that in 1995, the drug dealers will seek out and shoot MPD officers.

The police, then, are not a factor in ensuring our safety. One of these days (it is only a matter of time), gang violence will kill or maim half a dozen people at a mall, on the street, in a school, or on a subway. Another illusory island of safety will vanish. Our mayor and police chief will tell us that there is really nothing they can do about these shootings!

We can't survive as a society if we're afraid of our own children. If we remain on the road we're traveling, crimes of this nature will occur with alarming frequency. We will be forced to turn our homes into fortified compounds and huddle indoors because we're not safe anywhere else in this city.

The key to the violence threatening our society is the housing projects. 90% of the crime on our streets comes from them. We must hold the kids in the projects accountable for their behavior and we must hold the mothers giving birth to the kids accountable as well.

TESTIMONY OF THOMAS D. SUTTON, ESQUIRE  
 BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES  
 COMMITTEE ON WAYS AND MEANS  
 U.S. HOUSE OF REPRESENTATIVES

I offer testimony with respect to the Subcommittee's consideration of proposals to eliminate or drastically alter the SSI disability program for children. I am intimately familiar with this program, as I was one of the attorneys for the plaintiff class in Zebley v. Sullivan, 110 S.Ct. 885 (1990), the case which required the Social Security Administration to rewrite its regulations on childhood disability. In my role as class counsel, I was present for many of the deliberations of the agency and the outside experts on whom it relied for guidance in drafting the new childhood disability regulations in 1990-91, and I have lectured extensively around the nation since that time on the new regulations and their impact on disabled children. Although I have entered the private practice of law and no longer formally represent the Zebley class, I continue to represent many children with severe physical and mental disabilities in SSI claims before the agency and the federal courts.

From my personal experience, I can state unequivocally that the post-1990 childhood disability program has made an enormous difference in the lives of poor disabled children and their families. The modest cash grants provided by the federal government (and some states) help to defray the financial burdens of caring for a disabled child, and are absolutely essential to the hopes of such children that they can grow up to lead productive lives someday. Moreover, the new disability regulations have allowed the Social Security Administration to grant benefits to truly disabled children who were unfairly denied under the pre-Zebley rules, and should not be radically altered without thorough consideration by the National Commission on Childhood Disability which was established by Congress only last year.

Members of Congress should remember that the needs of poor children with disabilities are many and varied. The modest monthly cash benefits provided by SSI offer each family the flexibility to meet the particular needs of its disabled child in a way that no conceivable medical voucher program could begin to address. In the first place, families in the income range covered by SSI have shelter needs which are met only through a monthly struggle. I have seen numerous cases in which the additional few hundred dollars of monthly income made the critical difference between eviction or foreclosure on the one hand, and a disabled child living with his or her family in their home. In many of these families, one or both parents have had to severely curtail or even give up employment in order to care for the disabled child at home; for such families, the SSI grant constitutes the only viable alternative to institutionalization for the child. A program which helps to keep a roof over the head of a family caring for a disabled child furthers the public policy goal of keeping such families healthy and intact, and should not be subjected to the kind of well-meaning but misinformed attacks which we have recently witnessed.

Beyond basic shelter needs, a disabled child can have any number of special requirements. Some children need part-time assistance with basic personal needs which are beyond the capacity of exhausted parents to personally meet twenty-four hours a day. Other children need specialized services, ranging from basic educational tutoring to speech and language therapy, cognitive remediation, and behavioral modification programs. Equipment needs are many and diverse, including such items as wheelchair ramps, respiratory aids, and specially outfitted vans for basic transportation of disabled children. Some children desperately need access to the kinds of activities taken for

granted by their more affluent peers in order to adequately address their mental and emotional deficits; these may include anything from art therapy to music, dance, or sports classes.

It is impossible to catalogue every permutation on the general theme, but this much should be clear: the needs of disabled children are both vast and diverse, and their parents and guardians are in the best position to judge how those needs should be met. Many of these needs are not, strictly speaking, medical in nature, and are not currently reimbursable by Medicaid (which, in any event, is not necessarily available to children on SSI in many states). For example, I represent a nine year old boy with severe asthma and psychological disorders who is currently applying for SSI. His mother, a single parent, has recently left public assistance to take a full-time job as a night auditor at a hotel. Unfortunately, this job pays only \$6.00 an hour, does not include medical insurance benefits for dependents, and requires my client's mother to employ a full-time babysitter to stay with her disabled son through the night. Because her earned income disqualifies her son from receiving Medicaid, SSI eligibility represents her only real hope of 1) obtaining medical coverage (as Pennsylvania is one of the states which does provide Medicaid to all children on SSI), and 2) sustaining the ability to pay a babysitter in order to continue her employment and stay off public assistance.

Clearly, no voucher program can possibly address the many special needs of disabled children and the families which care for them. Congress should take no legislative action which would simply force mothers like the one I have described to give up her employment and return to the AFDC program because they have no other way to care for their disabled children.

Some members of the Subcommittee have raised questions about the Individualized Functional Assessment (IFA) that is used to determine whether a child who does not meet or equal the very stringent regulatory requirements of the Listing of Impairments should nevertheless be found to have impairments of comparable severity to those which disable adults. It has been suggested that the IFA is too lenient, and allows benefits to be granted to undeserving children.

To understand just how misplaced these concerns are, consider the childhood disability standard which existed before the Supreme Court's ruling in Zebley. Under the old rules, children like Derik Wilkinson were routinely denied benefits. Derik was 10 months old at the time of his SSI hearing, and the Eleventh Circuit Court of Appeals described him as follows:

The Wilkinson child is afflicted with a rare chronic liver disease known as Alpha I Antitrypsin deficiency. He is isolated from public places, essentially confined to his home, except for trips to the doctor. He swells, cannot eat, and runs a fever three or four nights a week. The swelling of his arms, legs, and feet causes pain. He has been hospitalized four times, and he tires easily. The doctors say he has a life-long condition, precluding a normal childhood and adult life. He has allergic reactions to any kind of food. He requires constant attention, and when he swells up, he must be held all night.

Wilkinson on behalf of Wilkinson v. Bowen, 847 F.2d 660, 661-62 (11th Cir. 1987). Despite the court's own description of this desperately ill little boy, it upheld SSA's denial of benefits because there was no impairment in the Listings which Derik could be found to meet or equal. Under the regulations which existed



at that time, neither the agency nor the courts could legally consider the obvious fact that Derik Wilkinson was so dysfunctional that he should have been found "disabled" under any meaningful definition of the term.

Because the Supreme Court recognized in Zebley that SSA had long been applying an illegally strict standard which excluded children like Derik Wilkinson, the agency convened a panel of distinguished medical experts to assist in rewriting the childhood disability regulations. The resulting IFA test allows the agency to determine whether children who would have been denied under the pre-Zebley rules are so physically and/or mentally dysfunctional that they should be found disabled. The IFA allows for consideration of all aspects of a child's functioning in the domains considered most relevant by experts in child development, including motor, communicative, and cognitive skills. Children with serious limitations in two or more of these domains are appropriately found disabled under the statutory standard of "comparable severity."

I know from first-hand experience that there are enormous numbers of truly disabled children who were excluded under the old regulations, and who are just now beginning to realize the benefits of the program. They and the families who struggle to care for them deserve the modest amount of cash assistance provided by the SSI childhood disability program, and Congress should not enact hastily drafted and lightly considered statutory changes in the program at this juncture. Any such changes should await the conclusions of the National Commission on Childhood Disability, which is expected to release its report by the end of the year. In the meantime, we should support the efforts of families to raise their disabled children at home with dignity and love. For these most vulnerable members of our society, we have an obligation to do no less.

On behalf of my many clients, thank you for considering my views.

## TESTIMONY OF THE TAYLOR INSTITUTE

### *Introduction: Welfare Receipt and Domestic Violence*

Welfare-to-work public policy recommendations continue to be based on a key factual misconception-- that female welfare participants are indeed single heads of households. In actuality, grass roots social service providers are finding that, in many cases, there is a male in the picture who frequently sabotages the woman's efforts to become self-sufficient-- often with violence. Several model welfare-to-work programs have made the crucial connection between domestic violence and long-term welfare receipt-- a connection which must be recognized before meaningful progress can be made in the struggle to free women from welfare dependency.

The problem looks something like this: Due to low grant levels, welfare participants cannot live on welfare alone. Accordingly, high school dropouts who become teen parents--with the attendant low skill levels and negligible work history--become embroiled in relationships with males who promise to support them. In return, say community workers, these males want complete dependency. Threatened by educational and self-help programs, these men frequently resort to violence and emotional coercion to prevent their partners from gaining education and employment. This finding flies in the face of the current assertion that women go on welfare to escape abusive relationships.

This cycle is becoming more familiar to those in the field, who are disheartened by their inability to effectively intercede. "We can do everything we can, but if we don't get the partner to buy in, he will sabotage it every single time. It is so frustrating because we can't control it," explains Angie Barnett of the Maryland Friends of the Family Program.

Although practitioners are becoming increasingly aware of the problem, the issue of domestic violence as a barrier to training and employment does not surface in national welfare-to-work policy discussions. Nor has there been any solid research completed to inform the welfare reform debate. This report takes a first step at determining the extent of the problem within the AFDC caseload and analyzing its implications for public policy.

Taylor Institute, a public policy research and advocacy organization in Chicago, has been working with the Chicago Commons Employment Training Center (ETC) to quantify and analyze ETC data regarding the relationship of domestic violence to long-term welfare receipt. Recently Taylor Institute undertook a nation-wide telephone survey to determine just what is known about the problem by grass roots welfare-to-work programs around the country. Although most programs do not explicitly track this data, there is a mounting body of evidence supporting the connection between domestic violence and welfare dependency-- enough to cause grave concern about the drift of the national welfare reform discussion and to mandate additional research.

### **What Grass Roots Welfare-to Work Programs Say About Domestic Violence**

#### **The Problem**

*For the purpose of this report, domestic violence is defined as verbal and physical abuse and coercion by men directed at adult women in intimate relations, which is meant to take in the full range of physical and nonphysical means used by men to coercively control women.*

The stories about domestic violence are all the same, numbing in their repetition and remarkable in their similarity.

- Participants do not come to basic skills classes regularly because their attendance provokes violent behavior against them. Their decision to improve their skills and seek employment threatens their abusers, who prefer them to stay dependent. Coming to the program itself is an act of resistance which most often exacerbates the violence. When visiting participants who have dropped out of training programs, staff routinely find women with visible bruises, black eyes and cigarette burns--injuries inflicted by abusers in the hope that their victims will be too embarrassed to go to school. Abusers may also come to the program itself, making belligerent threats of violence in the hope that their behavior will result in the participant being barred from participation. For many women, it is easier to take the path of least resistance and drop out.

- Participants describe a variety of techniques employed by their partners to sabotage their efforts to become educated or employed. For example, the night before a key test, entrance exam, or job interview, boyfriends will engage their partners in night-long quarrels, leaving the women sleep-deprived and unable to perform well. In addition, participants report over and over again that their abusers will promise to provide key child care services or transportation, only to disappear on the morning of the exam, or become inebriated--and therefore incapable of helping--when needed. Abusers may also hide their partners' clothing and winter coats so that the women are unable to leave the house either to take a test or to attend school. At the extreme, abusers will inflict black eyes or other injuries the night before their partners are to start a new job, or will visit the job site and create an embarrassing or threatening situation, causing their partners to lose their job. Such harassing visits and/or telephone calls often wear down the participant, who decides to quit the program or job and devote herself to her partner's needs and interests.

- Participants also report that their abusers are terribly concerned about them meeting other men and forming new relationships. One woman recalled that her partner appeared every day at work to take her to lunch, lest she meet and fraternize with anyone new. Another woman related that her partner let her come to school because only women were involved on site. The same woman was certain that her partner was unlikely to let her get a job, because she would meet other men at the work place.

### **The Statistics**

At the Chicago Commons West Humboldt Employment Training Center (ETC), a comprehensive welfare-to-work program which has provided services to over 600 welfare women since 1991 in Chicago, 58% of participants who entered ETC between July 1,

1993 and June 30, 1994 were current victims of domestic violence when they entered the program; an additional 26% were past domestic violence victims; 17% of all participants were incest survivors or past victims of sexual assault; 21% were currently addicted to drugs or abusing alcohol; and an additional 9% were recovering from past substance abuse. ETC provides services to participants who are long-term welfare recipients (the average time on welfare is 6.7 years) and low basic skills (43% were reading at 6th grade or below upon entry).

The Washington State Institute for Public Policy undertook a five-year Family Income Study which interviewed a representative sample of the entire AFDC population in the State of Washington. In the fifth year of the study, administered in 1992, women were asked if they had been physically or sexually abused as adults.

60% reported some type of abuse (physical and/or sexual), compared to 35% for a comparison group of women drawn randomly from neighborhoods that were more likely to have high rates of public assistance receipt. (The study did not, unfortunately, differentiate between current and past abuse.)

55% reported being physically abused by a spouse or boyfriend, compared to 28% for the at risk sample.

30% reported being sexually abused by anyone, compared to 19% for the at risk sample.

Two years ago, Mid-Iowa Community Action (MICA), a comprehensive family development and self-sufficiency program in rural Marshalltown Iowa conducted a survey of 91 heads of household participating in its family development program who had been on welfare for two years or longer.

22% were current domestic violence victims;  
51% were past domestic violence victims;  
11% were current substance abusers; and  
31% were past substance abusers.

MICA states, "What these families want is a partner who can skillfully elicit the history of the family; acknowledge the pain that has been part of the family's history; and connect the family with resources and experiences that will help the family to heal and move forward."

In December 1991 Manpower Demonstration Research Corporation (MDRC) published the results of a study of 617 young women (age 16-22) participating in New Chance program sites throughout the country between August 1989 and September 1990. Case management staff were instructed to report various problems only if they interfered with program participation.

16% of enrollees across all sites told program staff that they had been battered by their boyfriends or came to the program with a black eye or other visible signs of abuse; 6% reported being abused by someone other than their partner. In addition, 15% reported discouragement of program participation by their partner and 9% discouragement of program participation by their mother or other close relative.

Janet Quint of MDRC states that these statistics are probably low estimates and represent only the cases known by the staff. She adds that "tension-fraught relationships with significant others mean that some women can't fully take advantage or benefit from programs otherwise available to them."

The problem has also surfaced in Jackson County, Missouri (Kansas City) in the FUTURES program, where the JOBS caseloads are 35-1, "the lowest in the nation," according to Barbara Hubbell. In March 1994 an evaluation of the program by the University of Missouri at Kansas City found that "FUTURES graduates less frequently report the presence of a significant other in the household than do dropouts and those currently in the program." Carmen Schulze, Director of the Missouri Department of Social Services, Division of Family Services, concurs that "the significant other has a key impact on decisions that lead to self-sufficiency."

In Denver, Mitzi Kennedy of the Clayton Mile High Family Futures Project estimates that 50% of its mothers are struggling with issues of domestic violence.

The Women's Employment Network in Kansas City, Missouri estimates that 75-80% of its participants self-report domestic violence during the course of the program.

At least 20% of the participants in the Family Support and Education Center in Cecil County Maryland (where the population is 95% White) are affected by the problem, according to Angie Barnett. Because of the direct relationship between domestic violence and self-sufficiency, the program persuaded the local domestic violence center to provide services directly at the jobs program site.

At the Denver Family Opportunity Program, operated by the Department of Social Services, Sue Boyd has also uncovered domestic violence as the "biggest issue for successful transition into the workplace. There is no doubt whatsoever. This is the biggest problem that you have. We are trying to build new strategies for dealing with this, other than exempting battered women from participation," which the program is currently doing.

Jennifer Levine with the Project Esteem program of Family Dynamics Inc. in New York City states that its caseload contains an equal number of supportive relationships and abusive ones. Project Esteem, which provides a 12-week career planning/parenting education program, explains that "in many ways social realities have not caught up with the economic realities in that women are still expected to stay home and care for children. In some cases if the male can't support the family very well, it is a blow to his self-esteem to have the female doing so." Levine also states that parents and other siblings are often, for whatever reason, not supportive of the effort to get off welfare and often sabotage the welfare participant by failing to provide needed child care and other support at key moments.

Cleveland Works, another comprehensive program providing a host of family support services, including on-site child care and

legal assistance, also reports that "this silent issue is a major problem." Deborah Lucci explains that participants may not be willing to say they are being beaten up, but "it all comes out as they progress through the program and try to become independent."

As part of its holistic, multi-disciplinary approach to service provision, in November 1994 the Hawaii JOBS program quantified what the department calls "psycho-social" and health barriers which "very much interfere with the transition from welfare to work. Domestic violence is a major barrier for our clients in Hawaii," says Marge Sheehan, Social Work Supervisor. Psycho-social and health barriers were found in 54.4% of the caseload.

The University of Wisconsin-Milwaukee has also found a connection between domestic violence and child abuse and the ability to stay in school in an analysis of the "Learnfare" Program in Milwaukee County. Under "Learnfare" teen parents receiving welfare are financially sanctioned for missing more than two days of school each month by losing a portion of their benefits.

The study, which analyzed over four million client computer records at Children's Court for a ten year period ending in 1989, found that 36% of the 1,562 Milwaukee County teen parents sanctioned under "Learnfare" during the sixteen month period from September 1988-December 1989 had child abuse or neglect indicators for their immediate family. This means that at a minimum a case worker had investigated one or more members of the family for physical or sexual abuse or child neglect and had indicated in the social service file that this is a problem which should be monitored.

In the words of Lois Quinn, one of the authors of the study, "Preliminary analysis suggests troubling questions regarding the high numbers of families with histories of domestic violence or neglect who are sanctioned in Milwaukee County and the potential for negative consequences, including escalated violence, in these and other families. More research is needed in other states now implementing 'Learnfare'-type initiatives on these experiments' impact within families and follow-up is needed in Wisconsin on any subsequent violence which has occurred in threatened or sanctioned families."

#### **Implications for Public Policy and Welfare Reform**

##### **1. Determine the extent of the problem**

It is time for the issue of domestic violence to come out of the closet. The secret cannot continue to be kept. Patricia Murphy, author of the path-breaking book "Making the Connections: Women, Work and Abuse," believes domestic violence, while a crime, is also an *economic* crime. Domestic violence occurs during the ages of 13-26, she explains, the time when young women should be building their skills and developing their work identity. These are key developmental years. "The loss of work identity in either the waged or unwaged work lives of women is a kind of death. When this loss occurs as a result of abuse, it is a kind of murder, soul murder."

The reasons for the secret are not difficult to fathom. Since the existence of a male in the house providing economic support has not been and cannot be reported to the welfare department, it is no wonder that welfare participants strive mightily to keep the existence of the live-in relationship a secret. Participants are also deeply ashamed that they are beaten. Many are afraid to get needed help for themselves or their children because they fear that they might lose their children due to their failure to provide a violence-free home environment. For this reason, the problem is unlikely ever to be shared with a welfare department case manager or other professional with a duty under state law to report potential child abuse or neglect.

The secret gets kept with the connivance of those in the helping professions who often do not believe it is their place to ask about such personal matters. "Don't ask, don't tell", appears to be the operative rule. Mitzi Kennedy in the Denver program explains that "You have to know enough to recognize the code. Participants will give out hints, like, 'He holds me down,' or 'I have a man problem,' or 'The man is no good.' That is the signal to probe more deeply."

The enormity of the problem (Why do so many men batter their partners?) causes discomfort and denial, and the difficulty and messiness of the issue cause dismay (Why don't the women just leave?) The result is that domestic violence remains an issue "owned" only by feminists and/or those in the domestic violence service network. These programs generally do not interface with the welfare-to-work service delivery system. As an issue domestic violence remains dangerously disconnected from welfare reform and other anti-poverty policy initiatives.

A corrective course is urgently needed.

- All aspects of the social service delivery system, including job training programs, need sensitization to the issue of domestic violence and training in assessment tools and techniques to serve the needs of battered women.
- The extent of the problem within the AFDC caseload needs to be verified and the accompanying characteristics of the women better understood.
- Grass roots welfare-to-work programs need to begin to immediately assess and track the incidence of the problem.
- Program evaluators also need training in domestic violence and domestic violence assessment. All evaluations of experimental welfare-to-work programs must take domestic violence into account.
- Academic researchers need to work hand-in-hand with program providers at the grass roots level to better quantify and understand the implications of domestic violence for the development of women across their life spans.

2. Identify specialized support needed for current and past victims and provide it.

Unlike any of the current theories regarding welfare dependency,

the incidence of domestic violence in the lives of welfare recipients striving to become self-sufficient appears to explain the failure of current welfare reform policies and programs.

The "culture of poverty," identified by many academics as characterizing long-term welfare participants--"learned helplessness," apathy, resignation and inability to recognize and respond to new opportunity caused by lack of control over their lives-- may, in many cases, be post traumatic stress disorder, mandating a totally different public policy and service approach.

Many past victims have incurred permanent injuries such as damage to joints, partial loss of hearing or vision as well as emotional injuries which compromise their capacity to become and stay employed. To recover from post traumatic stress disorder they need specialized intervention to deal with difficulty in concentrating, markedly diminished interest in significant activities and sense of a foreshortened future. The lack of knowledge about post traumatic stress disorder and the connection of domestic violence, rape, and childhood sexual assault with substance abuse often means totally inadequate services for welfare women (Murphy).

Current victims must grapple with all of these problems as well as with serious concerns for safety and avoidance of physical harm. The fact is that domestic violence victims have always found their identity in their relationship with their partners, have acceded to their wishes, and have failed to develop any sense of themselves as independent persons with a possible role in the economy. When combined with post traumatic stress disorder, the problem often requires a great deal of time and outside support to favorably resolve. In most localities shelters, which provide a needed safe haven, lack the resources to provide assistance with needed career planning and skills development necessary for employment.

Many domestic violence victims also have retarded intellectual development as a result of the verbal-emotional abuse they have suffered. Children raised in abusive situations and domestic violence victims often believe they are stupid and helpless. "The ever-present fear of such volcanic eruptions and catastrophic events leaves children speechless- numbed, unwilling to develop their capacities for hearing or learning" (Belenky, et. al. "Women's Ways of Knowing"). It is through speaking and listening, writes Belenky, that we develop our capacities to talk and think things through. The fact that women are expected to curtail their voice may account for the greater prevalence of clinical depression among women than men.

This analysis suggests the need to combine intellectual development with emotional recovery. Program models combining domestic violence support services with basic skills training are desperately needed.

### **3. Exempt current victims.**

The paradigm of the single female headed household cannot continue to be exclusively used as the basis upon which to build welfare policy. The connection between domestic violence and



long term welfare remains poorly understood. We do not yet understand the implications of requiring women to get off of welfare within an allotted time. Will abusers permit women to work if that is the only means of ensuring income? Or, as anecdotal evidence suggests, do partners' fears that working women will either meet new men or refuse to turn over hard-earned paychecks simply cause domestic violence to escalate?

Some former domestic violence victims categorically state that their abusers would not let them go out to work regardless of the financial consequences to the household. They believe that more poverty and more crime will occur if time-limited programs are implemented without temporarily exempting domestic violence victims from participation and providing special services to them. With no prospect of welfare, young teens may fall even more prey to the romantic blandishments of men older than themselves than they do today.

However, it would appear to be the prevailing view that the abuser will allow his partner to go to work because the family unit has become dependent upon the income represented by the welfare check and Food Stamps. However, going to work at a low-paying job without resolving issues of domestic violence will in most cases probably exacerbate that violence due to the increased stress on the household. And it is unlikely that the welfare participant will be able to maintain the job given the levels of that stress, the accompanying violence, and her inability to concentrate on the job.

Admittedly, little research has been done and not much is known about the effects of changed public policy on households where domestic violence occurs. A chilling episode in Milwaukee almost two years ago may be an indication of what may be to come. As reported by the Milwaukee Sentinel, when Roberta Lee Russell, 18, had to attend school or risk losing some of her benefits, her partner, David Hall, 24, was at home providing child care. When seven month year old Jemeale wouldn't stop crying after being given a bottle, he asked Russell to stop attending school to take care of the children. She said she couldn't because she wanted to continue receiving monthly welfare.

Although Hall told her that he had enough of taking care of the kids, Russell went to school anyway. On that day the baby's father was awakened from a nap by the baby's crying. He lost his temper and punched the boy three times in the stomach and the child stopping crying. Then Hall pushed on the boy's distended stomach, thinking he needed to be burped. The next day, Jemeale stopped breathing and died.

Because it is often difficult to make an assessment of domestic violence, it is essential that all long-term welfare participants with low skills be required to participate in literacy or job training programs which have the capacity to assess and provide the specialized services current and past victims need. Program participants who show meaningful progress should be exempted from time limits which would otherwise sever their benefits.

#### **4. Prevent domestic violence from occurring.**

Preventing the formation of relationships which are violent

during the teen years is the only response true and deep enough to make fundamental changes in the ways in which many low-income young women live and raise their children today. Although domestic violence is the single greatest cause of injury to American women and a major health problem, we are only just now beginning to figure out what we can do to make domestic violence unacceptable. Prevention requires developing a community-wide response to the problem- community-wide information and discussion, coupled with the availability of visible, accessible services to current victims at the neighborhood level. Leadership development in our low-income communities is a prerequisite. There are some promising curricula and training projects aimed at pre-teens in our nation's schools, but these fledgling efforts are poorly funded and supported.

The undeniable link between domestic violence and long term welfare dependency also mandates a focus on male abusers. Even if welfare is made transitional, the issue of domestic violence will remain, blighting women's and children's efforts to become fully developed, independent persons. Little is known about effective interventions with male abusers, who up until now have remained the important missing piece in the welfare policy puzzle.

#### ABOUT TAYLOR INSTITUTE

Taylor Institute is a non-profit public policy research center established in Chicago, Illinois in 1975. Taylor Institute seeks to improve the quality of life of low-income and other disadvantaged people and communities by improving public policies that affect them. Taylor Institute conducts demonstrations, research, technical assistance, training, and evaluation projects that involve and are informed by the experience of low-income persons themselves.

Taylor Institute projects are informed by the experience of the grass roots. All initiatives include direction from people in low-income communities who: work with Taylor Institute staff to identify and research issues and questions; participate in interviews and focus groups; and help design and lead research-related community organizing and advocacy activities.

#### FOR FURTHER INFORMATION

**Taylor Institute and the West Humboldt Park Employment and Training Center:** Jody Raphael, 915 N. Wolcott Avenue, Chicago, Illinois 60622, 312-342-5510.

**Washington State Institute for Public Policy:** Greg Weeks, The Evergreen State College, Seminar 3162, Mailstop TA-00, Olympia, Washington 98505, 206-866-6000, extension 6380.

**Mid-Iowa Community Action:** Arlene McAtee, 212 West Ingledue

Street, Marshalltown, Iowa 50158, 515-752-7162.

**Manpower Demonstration Research Corporation:** Janet Quint, 3 Park Avenue, New York, New York 10016, 212-532-3200.

**FUTURES-Jackson County:** Barbara Hubbell, Division of Family Services, 615 E. 13th Street, Room 408, Kansas City, Missouri 64106, 816-889-2722.

**Clayton Mile High Family Futures Project:** Mitzi Kennedy, 3801 Martin Luther King Boulevard, Denver, Colorado 80221, 303-355-4411.

**Women's Employment Network:** Leigh Klein, 1006 Grand, Kansas City, Missouri 64106, 816-842-7001.

**Friends of the Family.** Angie Barnett, 1001 Eastern Avenue, 2nd floor, Baltimore, Maryland 21202, 410-659-7701.

**Denver Family Opportunity:** Sue Boyd, 2200 W. Alameda Avenue, Denver, Colorado 80223, 303-727-2485.

**Family Dynamics-Project Esteem:** Jennifer Levine, 154 Christopher Street, New York 10014, 212-255-8484.

**Cleveland Works:** Deborah Lucci, 812 Huron Street, 8th floor, Cleveland, Ohio 44115, 216-598-9675.

**State of Hawaii, Department of Human Services, Self-Sufficiency and Support Services Division, Oahu Branch JOBS Program:** Marge Sheehan, 677 Queen Street, Suite 400A, Honolulu, Hawaii 96813, 808-587-5250.

**Making the Connections Intercultural Network, an advocacy organization which addresses women, work, disability, abuse and violence issues, an Affiliate Project of the Union Institute for Women:** Dr. Patricia Murphy, 86 Monte Alto Road, Santa Fe, New Mexico 87505, 505-466-3694.

**University of Wisconsin-Milwaukee, Employment and Training Institute:** Lois Quinn, P.O. Box 413, Milwaukee, Wisconsin 53201, 414-229-4934.

TESTIMONY  
 COMMITTEE ON WAYS AND MEANS  
 SUBCOMMITTEE ON HUMAN RESOURCES  
 SUBMITTED BY KATHLEEN KELLY  
 UNITED WAY OF CHICAGO  
 GOVERNMENT AFFAIRS ASSOCIATE

January 23, 1995

As part of our long standing investment in and commitment to effective welfare reform, the United Way of Chicago appreciates this opportunity to share our perspectives on welfare reform with the Subcommittee. The United Way of Chicago awards over \$50 million each year in charitable dollars to local nonprofits that provide a wide variety of human services to thousands of clients in need -- with the overarching goal to assist dependent individuals to become economically self-sufficient to the greatest degree possible. Based on our goal of promoting self-sufficiency in individuals, the United Way of Chicago has long played a prominent role in welfare reform planning and implementation at the federal and state levels.

In 1994, the United Way of Chicago Board of Directors recommitted its support for effective welfare reform by reaffirming a set of principles, originally adopted in 1987, which have formed the basis of UWC's welfare reform advocacy efforts. (See attached.) These principles support policies and programs designed to assist individuals currently on public assistance to enter the workforce and achieve economic independence, and at the same time, to support them while they are obtaining necessary education and job training, and to provide an adequate level of income support to those unable to do so. More specifically, the principles support program models that provide a range of appropriate education and/or training programs to clients along with needed supportive services -- including child care and transportation -- and social services, such as mental health counseling and substance abuse treatment, as needed. The major goal is to assist the clients to move toward permanent self-sufficiency through jobs which provide long term employment and opportunities for advancement with adequate benefits at a living wage.

Since 1990, when the Family Support Act was implemented in Illinois, our experience has reaffirmed much of what we already knew about what it takes for welfare to work initiatives to be truly effective. We have also learned new things such as the multiple obstacles and barriers to self-sufficiency which must be addressed if we are to successfully move clients off the welfare rolls and onto the taxpayer rolls, and at the same time the need to assure a safe and healthy environment for their children.

We believe that effective welfare reform can only occur if it is grounded in the realities of welfare clients' lives, the current job market, and availability of appropriate supportive and social services.

Within this context, we urge your support on the following key issues during your current deliberations on major welfare reform proposals.

- **Time Limits** - We oppose fixed and arbitrary time limits on AFDC eligibility, while recognizing that, in actuality, most AFDC recipients do leave welfare after two years. Income support, education/training opportunities, supportive and social services should be available, however, based on the needs and capabilities of individual families, not on an arbitrary time frame. The barriers facing many AFDC families are very complex. These families should be supported in their efforts to move off welfare - but within time frames based on their individual life circumstances.

Many AFDC families would be able to become self sufficient in less than a two year time period. For some, however, two years would not be enough time to take all the necessary steps to become economically self sufficient because of the serious obstacles they face. These obstacles can include: low literacy levels, little/no employment history, low self esteem, depression, lack of a high school diploma/GED certificate, lack of employable skills along with, in some cases, mental illness, substance abuse and/or domestic violence. Still others may not ever be able to become self sufficient because the obstacles they face are insurmountable. These persons must maintain continuing AFDC eligibility as a safety net.

We therefore urge the adoption of flexible time frames for AFDC benefits and other supports which are based on individual client assessments and their specific circumstances, skills, and needs.

- Teen Parents - We urge that teen parents continue to be eligible to receive AFDC and that they be given comprehensive supportive services to assist them with their many needs - and not be subject to punitive measures such as income assistance sanctions. We recognize teen parents as a particularly vulnerable group within the AFDC population at large. They are young, poor, usually unmarried, often without strong support systems, and most likely lacking a high school degree and employable skills. At the same time they must grapple with the enormous challenges of parenting a young child - challenges that can be overwhelming even to older and more emotionally and financially secure parents. Their needs are many and may include intensive counseling, parenting classes, life skills training, along with income assistance, quality child care, and, in some cases involving abusive home lives, housing assistance.

We therefore urge that provision of such comprehensive supports and services be included in any welfare reform package passed. We further urge that teen parents not be subject to punitive measures, such as income assistance sanctions, as such measures would only exacerbate the struggles they face and would ultimately put their children at further risk and lead to greater levels of hunger, homelessness, and child abuse.

Child Care - We oppose any welfare reform efforts that would not assure the healthy development and physical safety of children in AFDC families. We therefore urge that subsidized child care - both for those participating in JOBS programs and for those moving into the paid work force - continue to be an entitlement. To underscore this, we emphasize that AFDC mothers are not able to attend education/training programs or to support their families without affordable child care. Furthermore, the child care must be high quality so that the healthy development of these children is supported.

We further recommend the extension of Transitional Child Care (TCC) through the expansion of the Title IV-A At Risk Child Care Program. The current 12 month limit on TCC is not enough time for many former AFDC clients to become economically independent. Currently in Illinois, many former AFDC families who "fall off the cliff" after 12 months of employment are being forced to quit their paid jobs and return to welfare because they cannot afford unsubsidized child care.

Social Services - In addition to supportive services, such as child care and transportation, many AFDC clients need a mix of social services in order to become self sufficient.

Such social services can include mental health counseling, substance abuse treatment, and domestic violence intervention, among others. Without such services, some clients will not be able to take advantage of other steps they must take such as education/training and job search activities in order to move off welfare. The realities of the lives of many AFDC clients are very complex. Their needs must be addressed in a holistic and comprehensive way if welfare reform is to be successful. Unfortunately, another reality is that serious unmet needs continue to exist in social services, as evidenced by waiting lists often several months long, for services. In Chicago, for example, persons seeking substance abuse treatment must sometime wait up to 8 months long for treatment.

We therefore urge that funding be made available for expanded social services - including mental health counseling, substance abuse treatment, and domestic violence intervention - to assure the availability of such services to AFDC clients.

In conclusion, we want to restate that our comments are based on United Way of Chicago's welfare principles that seek holistic and comprehensive approaches to welfare reform; that promote the provision of the necessary income assistance, supportive and social services to individuals to help them become self sufficient; and that offer a safety net for dependent individuals until and unless they are able to become economically self sufficient. If we do welfare reform in the right way, the positive way, we are convinced that many other social and economic problems facing society will also be addressed. Finally, positive welfare reform is also cost effective in the long term. It will result in reduced welfare costs, increased tax revenues, and stronger healthier families and communities.

**UNITED WAY OF CHICAGO**  
**WELFARE REFORM PRINCIPLES**

The United Way of Chicago endorses bipartisan efforts to reform the current welfare system by supporting legislation, policies and programs which assist individuals on public assistance to become economically self-sufficient and to provide adequate income supports to those unable to do so. Major objectives of comprehensive and effective welfare reform programs should include the following:

- Expand public/private partnerships to assist individuals to overcome barriers to self-sufficiency.
- Provide public aid benefits at levels that assure families an adequate standard of living until and unless they are able to achieve economic independence.
- Provide transitional support services to those moving off welfare including child care and health care coverage.
- Provide social services as needed by welfare clients to become self-sufficient such as counseling, substance abuse treatment, parenting and life skills training.
- Provide flexible and high quality job training and education programs individualized to clients' needs.
- Assure appropriate government funding to support these needed programs and support services.

The United Way of Chicago supports comprehensive welfare reform policies which address the holistic needs of clients and which link supportive services, social services, education and training, and job creation efforts -- with the goal to enable welfare clients to obtain permanent jobs that pay a living wage.

The United Way of Chicago supports the goal of meeting both the physical and developmental needs of children in AFDC families as an integral part of welfare reform program design and implementation.

The United Way of Chicago opposes any fixed and arbitrary set of time limits of AFDC income assistance given the wide differences in clients' needs and the time they need to overcome individual barriers and achieve self-sufficiency.

The United Way of Chicago opposes punitive approaches to welfare reform which would deny public aid recipients and their children income assistance and other supports they need to move toward self-sufficiency.

**STATEMENT FOR THE RECORD**  
**on**  
**WELFARE REFORM**  
**before the**  
**SUBCOMMITTEE ON HUMAN RESOURCES**  
**of the**  
**HOUSE COMMITTEE ON WAYS AND MEANS**  
**for the**  
**U.S. Chamber of Commerce**  
**by**  
**Jeffrey H. Joseph \***

**February 10, 1995**

The U.S. Chamber of Commerce, representing 215,000 businesses, 3,000 state and local chambers of commerce, 1,200 trade and professional associations, and 72 American Chambers of Commerce abroad, commends the Subcommittee on Human Resources of the House Ways and Means Committee for recognizing the importance of welfare reform and its relation to our nation's economic and social well being. The Chamber is anxious to work with members of Congress on reforming welfare during the 104th Congress.

The nation's welfare system is in dire need of reform. It is a system that in many ways discourages marriage, underwrites out-of-wedlock births, and creates an expectation of dependence rather than self-sufficiency.

Business has a significant stake in the welfare reform issue. If people are to exit the welfare rolls, they must be prepared and able to find and keep a job. As a result, welfare reform proponents are looking to the private sector as the primary source of job placement and creation. To that end, the Chamber believes that business absolutely must play a visible -- and pivotal role -- in the design and implementation of any new welfare system.

Members of the Chamber have placed a high priority on reforming welfare in 1995. In a recent survey to construct the Chamber's 1995-1996 National Business Agenda, welfare reform was second (behind unfunded mandates) on a list of 64 issues ranked by importance to Chamber members.

Earlier, the Chamber had surveyed 1,200 of its members to ascertain their specific interests in welfare reform. Of the 600 members that responded, 99 percent advocated an overhaul of the current welfare system. While 76 percent said that welfare recipients should be eligible for federally funded education and training services, 98 percent believed that those who receive such services should be required to work. An overwhelming percentage

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\* Jeffrey H. Joseph, Vice President for Domestic Policy, U.S. Chamber of Commerce



-- 94 percent -- supported placing a limit on the amount of time that one can receive welfare benefits.

On November 9, 1994, the Chamber's Board of Directors adopted as policy nine principles to guide the organization's efforts to restructure the nation's welfare system. The principles are listed below. We hope you will take these business concerns into strong consideration.

- Welfare must become a transitional system leading to work. Because people coming off welfare will be expected to work in the public or private sector, business must be involved in the design, development, operation, and evaluation of the new system.
- The new system should provide job placement services, as well as education and training to help welfare recipients find jobs.
- In addition to improving performance in major subject areas and occupational skills, education and training services should focus on the importance of working with others, reporting to work on time, thinking analytically and independently, and developing a positive attitude toward work.
- Education and training should be based on and incorporate world-class academic and occupational skills standards.
- Welfare recipients must be drug-free as a condition of employment and as a condition for receiving welfare benefits.
- A limit should be placed on the amount of time an individual may receive welfare benefits.
- Employees of local welfare centers must be trained for the new system.
- The new system must not impose any new federal mandates or regulatory burdens on employers. It must not be financed through new taxes or increases in any current taxes on business.
- In developing a new system, reforms that have been tested and implemented by the states should be examined. Special consideration should be given to options that restructure welfare without resulting in cost increases, as well as those that achieve cost savings through improvement of state and local welfare systems.

For welfare reform to be successful, recipients must be prepared and able to move off of welfare and into jobs. The concerns of the private sector must be addressed. In addition to the priorities listed above, the Chamber has identified 19 federal laws that act as disincentives to private employers hiring welfare recipients. Examples include provisions within the Fair Labor Standards Act, Davis-Bacon Act, Americans with Disabilities Act, and more. If recipients are to move from welfare to work, serious consideration must be given to removing (even temporarily) these legal disincentives. Otherwise, the prospect of permanently placing large numbers of welfare recipients into full-time jobs can never become a reality.

We believe our members have sent a clear message to Washington. They want to ensure that business interests are represented in any and all efforts to reform welfare during the 104th Congress. To that end, we hope you will call on us to assist with your reform efforts by way of testimony, briefings, and grassroots activities.



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2212 S. Jackson  
Seattle, Washington 98144  
324-3063 ▲ CCS/TTD: 328-6646 ▲ CCS: 1-800-499-5975  
program of Catholic Community Services  
member of Women's Funding Alliance

Phillip D. Moseley  
Chief of Staff  
Committee on Ways and Means  
US House of Representatives  
1102 Longworth House Office Building  
Washington, DC 20515

Thank you, for accepting this testimony. My name is Jean Colman. I am the Director of Welfare Rights Organizing Coalition (WROC) in Seattle, Washington. In the packet is testimony from two members, Lisa Karl and Lea Higashi. WROC is a membership organization of women and men who receive public assistance. Most of our members and volunteers are women, many of whom currently receive public assistance, as well as a growing number who successfully survived the public assistance system.

We have discussed the Personal Responsibility Act and believe that the policies in the bill would hurt low income families more than help them. We have recently seen information that states that over 26% of the children under 6, or six million children now live below the poverty level. Many of them have parents employed outside the home. While personal income has increased for some, it has not increased enough for those at the bottom of the wage scale to move their families out of poverty.

The women who successfully left welfare did so because of substantial long term training that enabled them to compete for jobs that paid them a livable wage. A few received assistance in the 1970's when the transition from assistance to unsubsidized employment was smoother. The biggest obstacles all parents face are jobs that pay livable wages, training to enable them to compete for those jobs, safe, affordable child care and health care for themselves and their children.

The Republican's bill ignores the reasons parents turn to public assistance. Nor does it offer the supports low income parents need to become economically stable.

#### **Why families need public assistance**

The majority of AFDC cases are single parent families, headed by a white/Anglo mother. She probably resorted to public assistance for one of many reasons:

- \* She lost her job and either has run out of unemployment compensation or was ineligible for such compensation.
- \* She does not have access to affordable child care, and/or has run out of the JOBS transitional child care benefits.
- \* Her employment does not provide medical benefits, and/or she has run out of JOBS transitional medical benefits.
- \* She was abandoned by her husband and he does not pay child support.
- \* She does not have the skills to maintain employment, full time, full year, at a wage that covers her basic costs.
- \* She has young children at home and does not feel ready to leave them with a child care provider.
- \* She is taking care of a disabled child or may be disabled herself.
- \* She ran for her life from an abusive situation and any either need to stay in

- hiding, or wants to no contact from her former spouse.
- \* The father of her child cannot find employment that will enable him to support his family even at the poverty level.

If we focus on these causes, then changing welfare as we know it takes on a different complexion. If Congress focuses on the reasons why a parent turns to public assistance and asks the question what will it take for her to financially get off and stay off, the two year time limit and other punitive provisions in the PRA make little sense.

#### **Two year time limit**

I cannot recall any government assistance program that sets a two year time limit for its beneficiaries. The credit on my mortgage is until I pay off my home. Subsidies to tobacco farmers, to ranchers grazing their cattle, to Boeing through the Export/Import Bank, are not time limited. It seems really discriminatory to limit a poor person's subsidy to a two year lifetime limit.

A two year limit without the promise of a job is cruel and inhumane. It puts a greater burden on the parent and also on the local County and City governments which will have to supply the shelters and food banks to sustain the family until the parent can become economically stable.

A two year limit ignores the reality of the lives of these families. In Washington, we have learned that over 60% of the parents fled domestic violence situations. They literally ran for their lives. A parent cannot put her family back together, get the treatment she needs for herself or her children within two years and attend a training program so she can compete for a job.

In Washington, we have many industries that are seasonal. They employ people for only four to six months each and every year. They pay well and work long hours when they work. But it is only part year. Easing the work expense deductions would help families work at these jobs more than the threat of a two year AFDC limit.

A two year lifetime limit helps employers who will have a new supply of primarily low skilled, low wage workers and they can reduce their wages even more. Many homeless families are working full time. Low wages will not reduce poverty nor homelessness nor hunger. A combination of wages, child support, when collected, and government transfer payments might.

Poor parents are no better nor no worse as parents than any other parent. They simply have less resources. A two year time limit will not improve the parenting skills. But it does increase the stress on an already stressed family. WROC members are trying to reassure their children that they will not be separated. Parents are reporting that schoolmates are taunting their children because they are on welfare and because of the news of orphanages.

#### **Family Cap**

From the research we have in Washington State, we have learned that over half the parents have one child, over 80% have one or two children. Only 4% have four or more children. Most parents had their children when they were married and divorced. The difference between a two person grant and a three person grant is \$106. Women do not have additional children for the money. It does not cover the costs of a new infant, much less the costs of raising a child. Proposing a family cap feeds into the myths and stereotypes, not the reality.

#### **Denying benefits to teenagers**

In Washington State only 8% of the AFDC case load are parents under 20. One percent are parents under age 18. Teenagers do not have babies to go on AFDC.

They have children because they have been raped and victims of incest. A few become pregnant because of pressure placed by the boyfriend. It is not the first choice for many teens. Because of the negative messages about abortion, more teens are choosing to keep their babies.

Preventing teen births is a better policy approach. Teaching girls and boys about sexuality at an early age and ensuring that all teens can see a future would a lot further than denying assistance to anyone who ever have a child under the age of 18.

#### **Block Grants**

Part of the reason for federalizing a program is because of vast differences amongst the states. Poverty is a national program. It is not unique to one state or another. Recessions are a national problem that affect states at different rates and times. Washington has traditionally been later in feeling the effects of a recession and later still in feeling the benefits of a recovery.

Losing the entitlement aspect of public assistance would harm families. If the state ran out of funds for income maintenance during a recession, parents who lose their jobs would become destitute. They would have no way of feeding, housing and clothing their children. The private charities in our state filled some of the gap after the cuts in 1981 and 1982, but they all acknowledge that they are at their limits. They have no more resources to cover what will happen if the federal government pulls out of the partnership of dealing with poverty. When a state receives a block grant, it no longer is required to fund programs. Instead it could pick and chose which programs it wants to fund, including eliminating programs for poor families. I believe this is what has happened to many Community Development Block Grants. Rather than continue the programs that the block grant replaced, many jurisdictions fund middle income construction and road projects. I hope this is not the kind of flexibility Congress intends.

Rather than Block Grants, Congress could direct HHS to simplify its waiver process. It would allow the states the flexibility they claim they want at the same time retaining the federal government's ability to monitor how the welfare experiments are proceeding.

I hope Congress will carefully review its own policy development and not create policies and programs that will increase poverty any more than it already has grown.

Nancy Shier  
 Chair, Federal Subcommittee, Work, Welfare and Families of Illinois  
 c/o Kids PEPP  
 188 West Randolph Street, Suite 2200  
 Chicago, IL 60601  
 (312) 855-1444

**TESTIMONY ON THE ROLE OF ENTITLEMENTS AND BLOCK GRANTS FOR THE  
 WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES BY THE WORK,  
 WELFARE AND FAMILIES COALITION OF ILLINOIS**

Work, Welfare and Families of Illinois (WWF) is a diverse coalition of human service, religious, civic and community organizations dedicated to improving the health and well-being of Illinois families dependent on public assistance. Some of the guiding principles underlying the nation's vision for welfare reform are consistent with our commitment to Illinois families, including our commitment to supporting and promoting public policies that respond fairly to the needs of poor families (making work pay), providing families a basic level of economic support, and establishing a wide range of education and training support services to assist poor families in becoming economically self-sufficient.

We applaud the efforts of the House Committee on Ways and Means and the Subcommittee on Human Resources to improve the lives of low-income families. However, it must be done in a way that protects children and families and achieves our mutual goal of facilitating self-sufficiency.

**I. The overarching principles that should guide welfare reform.**  
 Work, Welfare and Families of Illinois has identified a set of program service components that must exist in any successful welfare reform effort. These components conform to the following overarching principles:

- The needs of children must be paramount in formulating welfare reform.
- Insufficient funding for employment, training, education and support services is a significant barrier to increased participation in welfare to work programs, rather than uninterested or "resistant" participants.
- While most AFDC participants are "able bodied" their earning power is extremely limited. Limited high school and work experience and a lack of access to the services needed for single parents to complete education, obtain reliable, quality child care, or enter employment compound the problem. To promote upward mobility, obtaining education, employment skills and experience is necessary to obtain jobs that raise families above the poverty level.
- The direct creation of job opportunities for AFDC recipients is critical.
- Program flexibility is essential in recognition that movement from welfare to work is rarely a straight path. Any time limits must be based on available employment opportunities, and appropriate supports and exceptions which are determined by specific family and individual circumstances.
- Policies must promote positive steps toward self-sufficiency rather than the current trend of imposing punitive measures. Every effort/activity that moves a person closer to employment (including

volunteer/community work, a series of short-terms jobs, alternating or combining work and education, or returning to welfare for periods between jobs) must be recognized and supported as positive steps toward self-sufficiency.

**KEY COMPONENTS** of any new or restructured welfare reform/employment programs must include:

1. **Adequate supportive services** including: childcare transportation, health care, and social services. The lack of available subsidized child care, health care, or transportation must remain good cause for non-participation in employment/training or mandatory work programs. In addition, situations such as homelessness, domestic violence, substance abuse, and mental health problems should also be considered good cause for non-participation.
2. **Adequate education and training programs.**
3. **Expanded employment opportunities.**
4. **Policies that make work pay, support families, and have appropriate program implementation and outcome evaluation.**

Congress will soon be considering proposals to eliminate the "entitlement" status of Aid to Families with Dependent Children (AFDC) and various nutrition programs (including Food Stamps, School Lunch, School Breakfast and others). Proponents of this approach would instead provide the States with federal "block grants" or "capped entitlements" to spend on the problems and populations addressed under these eliminated programs. We strongly oppose these proposals. They jeopardize the safety net for individuals and invite financial ruin on the States. The welfare system can be restructured to provide the States with a high degree of flexibility in program design and implementation and a corresponding decrease in federal oversight without courting such disaster.

**II. Eliminating entitlement status would pose an unacceptable risk of total deprivation on poor children and their caretakers.** In any year in which a state's need for these programs increased, so that actual spending outpaced anticipated spending, the block grant would prevent federal funding from keeping pace. States would be forced either to come up with more state money to meet the need or shut off intake -- i.e., create waiting lists. Eligibility for subsistence programs would thus depend entirely on when, during a particular fiscal year, the needy family experienced the need. Early in the year they would get help, later in the year they would not. The suffering and other consequences would be severe.

**III. The elimination of entitlement status would not only expose needy individuals to unacceptable financial risks, it would place the States in great fiscal jeopardy.** For example, if the Block Grant system proposed by some governors for food programs had been in place in 1994, Illinois would have received \$217 million (14.1%) less in federal nutrition spending than it did receive. The State would either have to make this up out of State funds, or deny this amount of assistance to needy persons and families.

The worse a state's fiscal condition in any given year, the higher the penalty it will pay if there is a shift away from entitlements. This is because all block grant proposals rely on formulas for determining the amount of the grant that are based on a prior year's spending level (for example, one proposal bases the block grant on FY 94 federal spending). Some proposals would freeze the funding level for a period of years and some would escalate the amount of funding in future years based on various nationwide factors such as the cost of living or demographic trends. All block grant proposals provide for reductions in

overall spending. None of the proposals can accurately determine the state's need in the year for which the grant is applicable.

The block grant is all that the state gets for the year in question, regardless of the level of need in the state. If, for example, the block grant in year 2 is based on the state's usage of federal funds in year 1, and there was 5% unemployment in year 1, but due to a localized recession (such as California recently or the rust belt in the 80's) unemployment rises to 8-9% in year 2, the block grant nevertheless stays the same. Similarly, the block grant would not be able to respond if the state experiences a localized demographic trend, such as a sudden population increase or a "bulge" in the number of baby-boomers reaching retirement age, or a natural disaster such as the recent Midwest flood. In such years, the state would have to curtail benefits, just when more of its citizens need them the most, or it would have to assume a greater portion of the financial burden of paying benefits to the increased number of needy persons, just when the state is likely to be experiencing revenue shortages. Block grants thus do not respond to cycles. The money does not correspond to the need.

Here in Illinois, we have learned from experience that States cannot afford to keep pace with basic human needs in the absence of entitlements. For example, a few years ago the home energy assistance program for low income persons that is intended to allow the poor to maintain heating and electricity utility service was converted from an entitlement program into a fixed appropriation (or "capped entitlement") program. While it was an entitlement, any low income person who paid at least 12% of their income towards their utility bills was guaranteed continued utility service. When entitlement status was ended, the State initially dealt with the reduction in available funding by restricting the program to only persons with the lowest incomes. This had the unfortunate result of disproportionately burdening seniors living on fixed incomes just above the new income cutoff line. This result was morally and politically unacceptable, and in later years, the State adapted to the lowered funding levels that resulted from the end of entitlement status by restoring the previous income eligibility criteria and substantially reducing the amount of home energy assistance a family could receive across the board. This has resulted in the home energy assistance grants becoming too small to serve their intended purpose of providing substantial assistance to meet a basic human need. And, since home energy assistance is now provided on a first come, first served basis, those equally needy families who do not get in line soon enough face total deprivation of assistance.

The fiscal inability of the States to serve this population predictably and consistently without continuation of the entitlement status and the state-federal matching structure is further illustrated by Illinois' repeated failure to appropriate sufficient funds to capture the federal JOBS program match. In the past year, Illinois forfeited over \$35 million in appropriated federal matching funds. A shift away from the entitlement system will further reduce funding for education and training and other self-sufficiency programs that require short term investments in human capital and offer the best hope of eliminating long term welfare dependence.

IV. Entitlement status also protects these safety net programs from the unintended consequences of state law governing budgetary matters. In Illinois, three times already in the 1990s, the State government has been at budget impasse at the end of the State's fiscal year. Although these impasses did not involve appropriations for welfare programs, the State's constitutional officers interpreted state law to preclude the payment of any welfare benefits until the impasse was resolved and a new State budget had been approved. Thus, through no fault of their own, those who rely on welfare programs to provide for their basic needs were faced with deprivation of all assistance until the budget



impasse was resolved. However, because AFDC, food stamps and medicaid have federal entitlement status, recipients had recourse to the courts to ensure that they would not be deprived of their basic needs. The State paid benefits on time to individuals they always intended to pay eventually anyway. At no cost to the State, the dilemma was resolved due to the federal entitlement status of the benefits.

V. Increasing state flexibility in a wide range of program design and implementation issues can be accomplished without incurring the grave risks posed by jettisoning the entitlement status of subsistence benefits. States can be given freedom to develop their own rules for such matters as determining how income is treated when determining AFDC eligibility and benefit levels, reporting requirements, asset rules, education, training and work requirements, and child support enforcement and cooperation requirements.

Through the waiver system, Illinois has already begun to exercise such flexibility in a variety of ways. The Work Pays program is a highly innovative earned income budgeting initiative that doubled the percentage of the AFDC caseload with earned income in its first year of operation. Illinois has also used the waiver process to implement a variety of other work incentive programs and policies, including elimination of the 100 hour rule and retroactive budgeting that discouraged seasonal work, and instituting the direct payment of child care for working recipients. Illinois has also combatted the AFDC program's family formation disincentive by getting a waiver to allow payment of benefits to 2 parent families. Replacing the sometimes cumbersome waiver process with simpler and reduced federal program rules will promote such state innovation, and is fully compatible with maintaining the entitlement status of these basic benefits.



